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# 1981 Management Report

## For Retail Hardware Stores

NRHA
National
Retail Hardware
Association

$20.00

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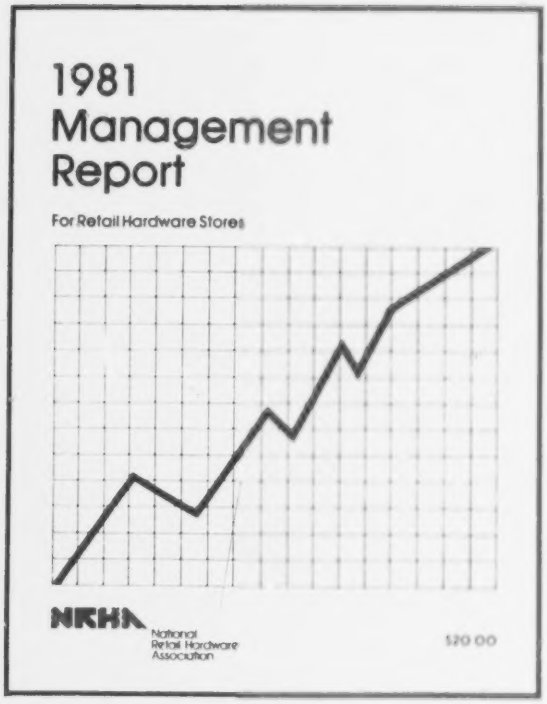



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# Introduction

### Management Report

The 1981 Management Report presents financial operating data for the retail hardware industry. The Report is designed to fulfill several objectives: to assess the financial performance of the retail hardware industry in 1980; to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling hardware retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the retail hardware industry.

### Five Major Sections

The Management Report is divided into five major sections: Average Operating Results, Strategic Profit Model, Departmental Sales, Compensation Study and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

**Average Operating Results** includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales,** information is presented on the percent of stores handling major departments found in retail hardware stores. The percent of net sales, sales floor, inventory and cost of goods sold are outlined both for handling firms only and for an average store profile. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

The **Compensation Study** offers information on seven categories of employees. Compensation data on the hours worked, salaries and wages paid and number of persons employed are shown for: department managers; sales personnel; office personnel; check-out/counter help; delivery and warehouse personnel and other employees.

In **New Store Data,** information on the required planning phases for new store development is presented.

### Type of Store

Many factors influence a retail hardware store's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

- High and Low Profit
- Sales Volume Size
- Sales Floor Size
- Type of Ownership
- Trade Area Size
- Store Location: Part I
- Store Location: Part II
- Geographical Region
- Number of Stores

### Methodology

The Management Report is made possible only through the cooperation of the retail hardwaremen and women who provided us with detailed information on their operation. Confidential mail questionnaires were sent to hardware store operators the end of February. Nine hundred and eight usable returns were received by June 1, 1981 in time for inclusion in this year's Report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** For the first time in the history of the Management Report the survey forms were then processed by our own data processing department. With the flexibility of working in-house to develop a brand new processing program, the Research Services Department was able to make various changes and improvements in the program. These changes are as follows; if there are any questions concerning them please contact the Research Services Department directly at the National Retail Hardware Association.

### Income Statement Data

1. Total Deductions. In the past the percent of total deductions was calculated only for those stores reporting deductions. The figure is now calculated for **all** stores, to take into account those stores that have no deductions. As a result, this year's figures will appear somewhat lower than those reported in the past.

### Balance Sheet Data

2. Investments. Previously calculated only for investments as a whole, figures are now reported for stocks and bonds, real estate (not used in the business), and other investments.

3. Fixed Assets. On previous questionnaires fixed assets was divided into the two categories of land-buildings and other fixed assets. It is now split into land, buildings, machinery and office equipment, and other fixed assets.

4. Current Liabilities. Current liabilities has been broken up into accounts payable, notes payable, accrued expenses payable, federal income taxes payable and other current liabilities.

5. Long Term Liabilities. This category has been divided into long term debt, deferred income taxes and other long term liabilities.

### Financial Performance Data

6. Incoming Freight. As with Total Deductions, this figure was calculated in the past only for those stores which reported an amount for freight. It is now calculated for **all** stores, to include those which have no freight costs per se.

### Low/High Profit Stores Table

7. Low versus High Profit Stores Table. This table is determined by taking the averages of the stores with the lowest and the highest percent net profits. In the past, the sample was split into **thirds,** and the bottom and upper thirds were used. We have found, however, that quartile averages are used more frequently and seem to be considered more meaningful. As a result, our low and high profit figures now represent the lowest and highest **fourths** of the sample.

### All Tables

8. Sample Sizes. In previous editions of the Management Report the sample size for each of the tables was the same. If demographic information such as the square footage of the store was not reported it was either obtained from a past questionnaire on file or was estimated. With the flexibility of the new data processing program, however, we were able to calculate a table only for those stores which reported the information on their questionnaire. Hence, the sample size varies somewhat from table to table.

As thanks for their contributive efforts, each hardware store operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

### One Of A Series

National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to the hardware store Management Report are The Bottom Line for home centers and the Lumber/Building Materials Financial Report for consumer oriented outlets. Each segment of the concentrated hardgoods market is provided with its own cost-of-doing business comparision manual.

### For Assistance

Assistance and aid in interpreting the 1981 Management Report may be obtained from your regional Hardware Association.

# Highlights

1980 results are down from the 1979 averages. Although the average per store sales volume has increased from $434,741 to $490,836 and the percent margin is up from 34.06 percent to 35.19 percent, there have been corresponding increases in costs as well. Payroll and employee expenses, occupancy expenses, and other costs of doing business have all risen, leading to a decrease in net profit.

Stock turns are down somewhat as well, and sales per store, as reported to us by Management Report contributors, increased only 3.81 percent as compared to 12.68 percent the previous year.

| Type of Hardware Store | Net Sales $ | Sales Increase Over 1979 (%) | Margin (%) | Net Profit On Sales (%) | Net Profit On Investment (%) | Stock Turns x |
|---|---|---|---|---|---|---|
| **All Hardware Stores** | 490,836 | +3.81 | 35.19 | 3.82 | 14.05 | 2.50 |
| Low Profit | 386,700 | +.08 | 34.37 | (2.35) | (12.80) | 2.22 |
| High Profit | 463,228 | +6.78 | 38.46 | 10.36 | 27.07 | 2.39 |
| **Sales Volume Size** | | | | | | |
| Under $250,000 | 167,221 | -1.33 | 36.08 | 2.74 | 7.41 | 1.80 |
| $250,000 to $499,999 | 365,684 | +3.28 | 36.55 | 3.72 | 13.10 | 2.17 |
| $500,000 to $749,999 | 599,421 | +3.85 | 36.42 | 4.11 | 13.77 | 2.46 |
| $750,000 or more | 1,291,932 | +5.38 | 33.47 | 4.01 | 17.48 | 3.10 |
| **Sales Floor Size** | | | | | | |
| Under 3,000 Sq. Ft. | 235,467 | +3.76 | 35.87 | 3.52 | 11.67 | 2.21 |
| 3,000 to 4,999 Sq. Ft. | 389,772 | +2.87 | 33.50 | 3.80 | 12.83 | 2.70 |
| 5,000 to 9,999 Sq. Ft. | 567,869 | +3.54 | 35.29 | 4.25 | 14.67 | 2.58 |
| 10,000 Sq. Ft. or more | 1,221,982 | +4.98 | 36.15 | 4.12 | 16.18 | 2.75 |
| **Type of Ownership** | | | | | | |
| Proprietorship | 235,599 | +2.50 | 34.04 | 4.93 | 12.17 | 2.10 |
| Partnership | 382,589 | +6.26 | 33.94 | 5.47 | 18.31 | 2.58 |
| Corporation | 576,984 | +3.80 | 35.49 | 3.62 | 14.08 | 2.56 |
| **Trade Area Size** | | | | | | |
| S.M.S.A.-Central City | 649,555 | +5.30 | 37.62 | 3.95 | 16.57 | 2.93 |
| S.M.S.A.-Suburban | 698,399 | -.28 | 36.33 | 4.22 | 14.21 | 2.93 |
| Cities-10,000-50,000 | 548,047 | +3.68 | 36.01 | 3.90 | 14.72 | 2.40 |
| Rural Areas Under 10,000 | 415,142 | +4.06 | 34.32 | 3.82 | 12.82 | 2.33 |
| **Store Location: Part I** | | | | | | |
| Downtown | 433,065 | +3.22 | 35.18 | 4.51 | 13.93 | 2.45 |
| Suburban | 655,813 | +5.50 | 34.49 | 3.68 | 15.77 | 3.00 |
| Rural | 465,304 | +6.84 | 35.07 | 3.50 | 15.57 | 2.51 |
| **Store Location: Part II** | | | | | | |
| Shopping Center—Neighborhood | 446,321 | +5.02 | 37.80 | 4.14 | 16.54 | 2.51 |
| Shopping Center—Community or Regional | 541,355 | +6.13 | 35.38 | 4.71 | 18.18 | 2.28 |
| Free-Standing—No Stores Adjacent | 637,830 | +1.78 | 34.43 | 4.30 | 15.51 | 2.80 |
| Free-Standing—Stores Nearby | 479,392 | +4.16 | 34.49 | 4.11 | 13.74 | 2.68 |

# Monthly Sales

Shown below are the industry average percent of sales by month. Once again, December is the leading month for hardware stores. All retail activity, including hardware stores, experience seasonal fluctuations in sales. However, these fluctuations can cause management problems particularly in cash flow. To help level seasonal sales, hardware stores should develop several wintertime promotions which offer good sale prices across diverse merchandise lines. This type of broad scope promotion will provide something of interest to most all consumers and should increase store traffic during the months of January through March.

| | % |
|---|---|
| January | 6.3 |
| February | 6.0 |
| March | 6.8 |
| April | 8.7 |
| May | 9.8 |
| June | 9.2 |
| July | 8.8 |
| August | 8.4 |
| September | 8.2 |
| October | 8.8 |
| November | 8.4 |
| December | 10.6 |

# Average Operating Results

## Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

**Net Sales Volume** — The dollar amount of cash sales plus credit sales less total deductions.

**Total Deductions** — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

**Cost of Goods Sold** — Inventory First of the Year plus Purchases plus Freight In minus Purchase Rebates minus Inventory End of the Year equals Cost of Goods Sold.

**Margin** — The difference between Net Sales and the Cost of Goods Sold.

**Salaries — Owners, Officers, Managers** — The compensation including bonuses paid to owners, officers and store managers who work in the business.

**Salaries — Other Employees** — The compensation, wages and bonuses, paid to all other employees.

**Federal and State Payroll Taxes** — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

**Group Insurance** — All premiums paid to insure employees for health and accident protection.

**Benefit Plans** — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

**Heat, Light, Power and Water** — All utility expenses incurred in the operation of the business.

**Repairs to Building** — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

**Rent or Ownership in Real Estate** — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

**Office Supplies and Postage** — The cost of all materials used for the firm's accounting records.

**Advertising** — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

**Donations** — All gifts given from the business operation to charity.

**Telephone and Telegraph** — For expenses incurred in the operation of the business.

**Bad Debts** — Uncollectable debts.

**Delivery (Other than Wages)** — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

**Insurance** — Premiums paid to insure all assets against fire, theft, etc.

**Taxes** — All taxes on stock, fixtures, delivery equipment, etc.

**Credit Card Expense** — Bank charges for processing credit card sales.

**Interest on Borrowed Money** — The amount of interest paid on borrowed money for all types of notes, loans.

**Store and Shop Supplies** — The costs of all supplies used in the operation of the store.

**Legal and Accounting** — The cost incurred for auditing, inventory count, collectors and legal consultation.

**Dues and Subscriptions** — Fees for memberships and subscription, and expenses for employee training.

**Travel, Buying, Entertainment** — All expenses incurred in business trips and the entertainment of guests.

**Unclassified** — All expenses not classified under other headings.

**Net Operating Profit** — Return on sales before Other Income and Income Taxes when expressed as a percent of Net Sales indicates the percent return on each dollar of sales.

**Other Income** — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental income.

**Net Profit (Before Income Tax)** — The net return from the operation of the business.

## Balance Sheet

The balance sheet is a statement of financial position at a given point in time. the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

**Current Assets** — Cash, notes receivable in the current year, accounts receivable (less reserve for doubtful accounts), merchandise inventories and other assets with a defined short-term life of one year — all prepaid expenses.

**Investments** — Assets with a long-term life such as stocks and bonds or real estate which are not needed to operate the business.

**Fixed Assets** — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land and buildings are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

**Current Liabilities** — All debts which are due within one year — accounts payable, current portion of notes payable and accrued payroll, taxes, insurance, interest, etc.

**Long-Term Liabilities** — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

**Net Worth** — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

**Financial Ratios**

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. The proportions are tested by ratio analysis. Sixteen financial ratios are presented in this Financial Report.

**Profit On Investment**

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

**Active Owner's Return**

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

**Current Asset Ratio**

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

**Quick Asset Ratio**

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

**Total Debt To Tangible Net Worth**

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

**Stock Turn Times**

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the liklihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

**Sales to Inventory**

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

**Average Inventory Per Sq. Ft. of Sales Area**

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

**Net Sales to Accounts Receivable**

—Computed by dividing Net Sales by Accounts Receivable, expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

**Net Sales to Total Assets**

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

**Net Sales to Net Worth**

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

**Net Sales to Working Capital**

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

**Sales Per Sq. Ft. — Selling Area**

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

**Sales Per Sq. Ft. — Total Area**

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

**Sales Per Person Employed**

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

**Sales Per Customer**

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

# All Stores

| Income Statement Data | All Hardware Stores | Low Profit Stores | High Profit Stores |
|---|---|---|---|
| **Number of Stores** | 908 | 224 | 227 |
| **Net Sales Volume** | $490,836 | $386,700 | $463,228 |
| Current Year's Sales vs. Previous Year* | +3.81% | +.08% | +6.78% |
| Gross Sales | 101.74% | 101.95% | 101.74% |
| Less: Total Deductions | 1.74 | 1.95 | 1.74 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 64.81 | 65.63 | 61.54 |
| **Margin** | 35.19 | 34.37 | 38.46 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 6.17 | 6.18 | 6.41 |
| Salaries — Other Employees | 10.96 | 12.19 | 10.02 |
| Federal and State Payroll Taxes | 1.17 | 1.32 | 1.06 |
| Group Insurance | .45 | .54 | .38 |
| Benefit Plans | .44 | .37 | .44 |
| **Total Payroll and Other Employee Expense** | 19.19 | 20.60 | 18.31 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | 1.03 | 1.28 | .89 |
| Repairs to Building | .35 | .41 | .30 |
| Rent or Ownership in Real Estate** | 3.22 | 3.92 | 2.89 |
| **Total Occupancy Expense** | 4.60 | 5.61 | 4.08 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .43 | .46 | .42 |
| Advertising | 2.01 | 2.43 | 1.71 |
| Donations | .06 | .06 | .08 |
| Telephone and Telegraph | .30 | .40 | .26 |
| Bad Debts | .19 | .17 | .17 |
| Credit Card Expense | .08 | .12 | .07 |
| Delivery (Other than Wages) | .54 | .68 | .45 |
| Insurance (Other than Real Estate and Group) | .89 | 1.04 | .79 |
| Taxes (Other than Real Estate and Payroll) | .49 | .49 | .58 |
| Interest on Borrowed Money (Other than Mortgages) | 1.33 | 2.44 | .73 |
| Depreciation (Other than Real Estate) | .73 | .93 | .65 |
| Store and Shop Supplies | .43 | .54 | .34 |
| Legal and Accounting | .41 | .50 | .36 |
| Dues and Subscriptions | .10 | .10 | .09 |
| Travel, Buying, Entertainment | .25 | .33 | .21 |
| Unclassified | .62 | .98 | .55 |
| **Total Other Costs of Doing Business** | 8.86 | 11.67 | 7.46 |
| **Total Operating Expense** | 32.65 | 37.88 | 29.85 |
| **Net Operating Profit** | 2.54 | (3.51) | 8.61 |
| Other Income | 1.28 | 1.16 | 1.75 |
| **Net Profit (Before Income Taxes)** | 3.82 | (2.35) | 10.36 |

*As reported to us by Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# All Stores

| Balance Sheet Data | All Hardware Stores | Low Profit Stores | High Profit Stores |
|---|---|---|---|
| **Total Dollar Assets** | $247,627 | $206,316 | $265,722 |
| | | % of Total Assets | |
| **Assets** | | | |
| Cash and Equivalent | 6.15 | 3.89 | 8.67 |
| Notes and Contracts Receivable | 3.46 | 3.24 | 4.55 |
| Accounts Receivable | 10.04 | 7.41 | 9.97 |
| Merchandise Inventory (End of Year) | 53.25 | 55.82 | 47.16 |
| Other Current Assets | 2.92 | 2.20 | 3.66 |
| **Total Current Assets** | 75.82 | 72.56 | 74.01 |
| Stocks and Bonds | 4.56 | 4.18 | 4.69 |
| Real Estate (Not Used in Business) | 1.26 | 3.05 | .80 |
| Other Investments | 2.42 | 1.78 | 2.77 |
| **Total Investments** | 8.24 | 9.01 | 8.26 |
| Land (Owned and Used in Business) | 1.62 | 2.26 | 1.65 |
| Buildings (Owned and Used in Business less Depreciation) | 6.99 | 7.80 | 9.29 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 6.31 | 7.72 | 5.42 |
| Other Fixed Assets | 1.02 | .65 | 1.37 |
| **Total Fixed Assets** | 15.94 | 18.43 | 17.73 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities and Net Worth** | | | |
| Accounts Payable | 9.83 | 11.87 | 7.00 |
| Notes Payable | 7.67 | 11.43 | 3.43 |
| Accrued Expenses Payable | 3.08 | 3.45 | 2.27 |
| Federal Income Taxes Payable | .33 | .08 | .60 |
| Other Current Liabilities | 2.05 | 2.24 | 1.20 |
| **Total Current Liabilities** | 22.96 | 29.07 | 14.50 |
| Long Term Debt | 15.82 | 25.44 | 13.07 |
| Deferred Income Taxes | .10 | .04 | .24 |
| Other Long Term Liabilities | 7.27 | 10.94 | 5.53 |
| **Total Long Term Liabilities** | 23.19 | 36.42 | 18.84 |
| **Total Liabilities** | 46.15 | 65.49 | 33.34 |
| **Net Worth** | 53.85 | 34.51 | 66.66 |
| **Total Liabilities and Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 14.05% | (12.80)% | 27.07% |
| Active Owner's Return | 36.76% | 20.75% | 43.85% |
| Current Asset Ratio | 3.30x | 2.50x | 5.10x |
| Quick Asset Ratio | .98x | .58x | 1.85x |
| Total Debt to Tangible Net Worth | 85.68% | 189.80% | 50.00% |
| **Stock Turn Times** | 2.50x | 2.22x | 2.39x |
| Sales to Inventory Ratio | 3.85x | 3.39x | 3.88x |
| Average Inventory per Sq. Ft. Sales Area | $25.15 | $23.85 | $23.72 |
| Net Sales to Accounts Receivable | 19.73x | 25.31x | 17.48x |
| Net Sales to Total Assets | 1.98x | 1.87x | 1.74x |
| Net Sales to Net Worth | 3.68x | 5.43x | 2.61x |
| Net Sales to Net Working Capital | 3.75x | 4.31x | 2.93x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | 85% | 77% | 82% |
| Credit Sales — % of Total Gross Sales | 35.51% | 33.24% | 33.90% |
| Consumer Sales — % of Total Gross Sales | 81.99% | 83.34% | 84.26% |
| Selling Area — Square Feet | 5,363 | 5,050 | 5,143 |
| **Sales Per Square Foot — Selling Area** | $91.52 | $76.57 | $90.07 |
| Total Area — Square Feet | 8,145 | 7,338 | 7,908 |
| **Sales Per Square Foot — Total Area** | $60.26 | $52.70 | $58.58 |
| Sales Per Person Employed | $55,327 | $50,495 | $56,717 |
| Sales Per Customer | $8.48 | $9.44 | $8.71 |

# Sales Volume Size

| Income Statement Data | Sales Under $250,000 | $250,000 To $499,999 | $500,000 To $749,999 | Sales $750,000 Or More |
|---|---|---|---|---|
| **Number of Stores** | 249 | 391 | 123 | 145 |
| **Net Sales Volume** | $167,221 | $365,664 | $599,421 | $1,291,932 |
| Current Year's Sales vs. Previous Year* | -1.33% | +3.28% | +2.85% | +5.38% |
| Gross Sales | 101.74% | 101.42% | 101.93% | 101.91% |
| Less: Total Deductions | 1.74 | 1.42 | 1.93 | 1.91 |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 63.92 | 63.45 | 63.58 | 66.53 |
| **Margin** | 36.08 | 36.55 | 36.42 | 33.47 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 8.03 | 6.61 | 6.70 | 5.21 |
| Salaries — Other Employees | 8.39 | 11.02 | 11.14 | 11.47 |
| Federal and State Payroll Taxes | .98 | 1.24 | 1.26 | 1.12 |
| Group Insurance | .38 | .52 | .43 | .43 |
| Benefit Plans | .13 | .25 | .36 | .67 |
| **Total Payroll and Other Employee Expense** | 17.91 | 19.64 | 19.89 | 18.90 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | 1.55 | 1.13 | .97 | .87 |
| Repairs to Building | .33 | .35 | .44 | .31 |
| Rent or Ownership in Real Estate** | 3.59 | 3.40 | 3.26 | 2.95 |
| **Total Occupancy Expense** | 5.47 | 4.88 | 4.67 | 4.13 |
| **Other Costs of Doing Business** | | | | |
| Office Supplies and Postage | .49 | .46 | .48 | .37 |
| Advertising | 2.15 | 2.25 | 1.90 | 1.83 |
| Donations | .07 | .07 | .07 | .06 |
| Telephone and Telegraph | .44 | .35 | .31 | .23 |
| Bad Debts | .16 | .19 | .17 | .21 |
| Credit Card Expense | .03 | .06 | .07 | .10 |
| Delivery (Other than Wages) | .87 | .60 | .61 | .39 |
| Insurance (Other than Real Estate and Group) | 1.36 | .98 | 1.05 | .65 |
| Taxes (Other than Real Estate and Payroll) | .45 | .45 | .56 | .51 |
| Interest on Borrowed Money (Other than Mortgages) | 1.96 | 1.68 | 1.17 | .99 |
| Depreciation (Other than Real Estate) | .95 | .73 | .73 | .68 |
| Store and Shop Supplies | .62 | .46 | .37 | .39 |
| Legal and Accounting | .64 | .49 | .38 | .30 |
| Dues and Subscriptions | .12 | .12 | .09 | .08 |
| Travel, Buying, Entertainment | .30 | .25 | .28 | .23 |
| Unclassified | .50 | .63 | .71 | .61 |
| **Total Other Costs of Doing Business** | 11.11 | 9.77 | 8.95 | 7.63 |
| **Total Operating Expense** | 34.49 | 34.29 | 33.51 | 30.66 |
| **Net Operating Profit** | 1.59 | 2.26 | 2.91 | 2.81 |
| Other Income | 1.15 | 1.46 | 1.20 | 1.20 |
| **Net Profit (Before Income Taxes)** | 2.74 | 3.72 | 4.11 | 4.01 |

*As Reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Sales Volume Size

| Balance Sheet Data | Sales Under $250,000 | $250,000 To $499,999 | $500,000 To $749,999 | Sales $750,000 Or More |
|---|---|---|---|---|
| **Total Dollar Assets** | $114,643 | $197,360 | $306,908 | $561,257 |
| | | % of Total Assets | | |
| **Assets** | | | | |
| Cash and Equivalent | 5.61 | 6.25 | 5.71 | 6.46 |
| Notes and Contracts Receivable | 2.67 | 4.05 | 3.43 | 3.21 |
| Accounts Receivable | 6.26 | 9.20 | 9.96 | 12.21 |
| Merchandise Inventory (End of Year) | 53.06 | 56.13 | 51.82 | 51.21 |
| Other Current Assets | 2.09 | 2.87 | 3.08 | 3.17 |
| **Total Current Assets** | 69.69 | 78.50 | 74.00 | 76.26 |
| Stocks and Bonds | 4.75 | 5.27 | 4.93 | 3.63 |
| Real Estate (Not Used in Business) | 7.42 | .19 | .06 | .68 |
| Other Investments | 1.97 | 1.80 | 2.27 | 3.24 |
| **Total Investments** | 14.14 | 7.26 | 7.26 | 7.55 |
| Land (Owned and Used in Business) | 1.91 | 1.50 | 1.50 | 1.67 |
| Buildings (Owned and Used in Business less Depreciation) | 7.10 | 6.05 | 9.29 | 6.79 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 6.49 | 5.88 | 6.18 | 6.73 |
| Other Fixed Assets | .67 | .81 | 1.77 | 1.00 |
| **Total Fixed Assets** | 16.17 | 14.24 | 18.74 | 16.19 |
| **Total Assets** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Liabilities And Net Worth** | | | | |
| Accounts Payable | 6.61 | 9.20 | 9.31 | 11.79 |
| Notes Payable | 7.95 | 8.49 | 5.60 | 7.74 |
| Accrued Expenses Payable | 1.44 | 2.12 | 2.71 | 4.73 |
| Federal Income Taxes Payable | .20 | .31 | .55 | .31 |
| Other Current Liabilities | 1.14 | 1.98 | 3.38 | 1.82 |
| **Total Current Liabilities** | 17.34 | 22.10 | 21.55 | 26.39 |
| Long Term Debt | 20.25 | 17.24 | 14.19 | 13.67 |
| Deferred Income Taxes | .00 | .01 | .34 | .11 |
| Other Long Term Liabilities | 8.40 | 7.98 | 5.56 | 7.00 |
| **Total Long Term Liabilities** | 28.65 | 25.23 | 20.09 | 20.78 |
| **Total Liabilities** | 45.99 | 47.33 | 41.64 | 47.17 |
| **Net Worth** | 54.01 | 52.67 | 58.36 | 52.83 |
| **Total Liabilities And Net Worth** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | | |
| **Profit on Investment** | 7.41% | 13.10% | 13.77% | 17.48% |
| Active Owner's Return | 29.09% | 36.36% | 36.18% | 40.19% |
| Current Asset Ratio | 4.02x | 3.55x | 3.43x | 2.89x |
| Quick Asset Ratio | .96x | 1.01x | 1.03x | .95x |
| Total Debt to Tangible Net Worth | 85.09% | 89.86% | 71.38% | 89.27% |
| **Stock Turn Times** | 1.80x | 2.17x | 2.46x | 3.10x |
| Sales to Inventory Ratio | 2.81x | 3.43x | 3.87x | 4.67x |
| Average Inventory per Sq. Ft. Sales Area | $19.32 | $24.10 | $26.03 | $29.31 |
| Net Sales to Accounts Receivable | 23.31x | 20.14x | 19.62x | 18.85x |
| Net Sales to Total Assets | 1.46x | 1.85x | 1.95x | 2.30x |
| Net Sales to Net Worth | 2.70x | 3.52x | 3.35x | 4.36x |
| Net Sales to Net Working Capital | 2.79x | 3.29x | 3.73x | 4.62x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | 1.08% | .95% | .88% | .72% |
| Credit Sales — % of Total Gross Sales | 29.94% | 34.24% | 35.62% | 37.67% |
| Consumer Sales — % of Total Gross Sales | 87.13% | 79.70% | 79.06% | 83.21% |
| Selling Area — Square Feet | 3,121 | 4,868 | 6,035 | 9,793 |
| **Sales Per Square Foot — Selling Area** | $53.58 | $75.12 | $99.32 | $131.92 |
| Total Area — Square Feet | 4,812 | 7,502 | 9,173 | 14,400 |
| **Sales Per Square Foot — Total Area** | $34.75 | $48.74 | $65.35 | $89.72 |
| Sales Per Person Employed | $43,856 | $51,771 | $52,366 | $63,787 |
| Sales Per Customer | $7.20 | $7.40 | $6.75 | $10.36 |

# Sales Floor Size

| Income Statement Data | Sales Area Under 3,000 Sq. Ft. | 3,000 Sq. Ft. To 4,999 Sq. Ft. | 5,000 Sq. Ft. To 9,999 Sq. Ft. | Sales Area 10,000 Sq. Ft. or More |
|---|---|---|---|---|
| **Number of Stores** | 142 | 258 | 253 | 69 |
| **Net Sales Volume** | $235,487 | $389,772 | $567,869 | $1,221,982 |
| Current Year's Sales vs. Previous Year* | +3.76% | +2.87% | +3.54% | +4.98% |
| Gross Sales | 101.47% | 101.53% | 101.76% | 102.88% |
| Less: Total Deductions | 1.47 | 1.53 | 1.76 | 2.88 |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 64.13 | 66.50 | 64.71 | 63.85 |
| **Margin** | 35.87 | 33.50 | 35.29 | 36.15 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 7.82 | 6.01 | 6.67 | 5.51 |
| Salaries — Other Employees | 9.41 | 10.00 | 10.89 | 12.35 |
| Federal and State Payroll Taxes | 1.17 | 1.12 | 1.19 | 1.22 |
| Group Insurance | .43 | .43 | .44 | .56 |
| Benefit Plans | .34 | .38 | .41 | .77 |
| **Total Payroll and Other Employee Expense** | 19.17 | 17.94 | 19.60 | 20.41 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | 1.13 | 1.00 | .98 | 1.00 |
| Repairs to Building | .33 | .31 | .41 | .29 |
| Rent or Ownership in Real Estate** | 2.93 | 2.99 | 3.07 | 3.56 |
| **Total Occupancy Expense** | 4.39 | 4.30 | 4.46 | 4.85 |
| **Other Costs of Doing Business** | | | | |
| Advertising | .49 | .43 | .46 | .41 |
| Office Supplies and Postage | 1.99 | 1.80 | 1.87 | 2.13 |
| Donations | .08 | .05 | .06 | .07 |
| Telephone and Telegraph | .39 | .31 | .28 | .26 |
| Bad Debts | .15 | .16 | .22 | .18 |
| Credit Card Expense | .04 | .06 | .05 | .15 |
| Delivery (Other than Wages) | .76 | .67 | .49 | .33 |
| Insurance (Other than Real Estate and Group) | 1.17 | 1.01 | .86 | .65 |
| Taxes (Other than Real Estate and Payroll) | .45 | .43 | .51 | .46 |
| Interest on Borrowed Money (Other than Mortgages) | 1.26 | 1.15 | 1.05 | 1.10 |
| Depreciation (Other than Real Estate) | .81 | .68 | .69 | .68 |
| Store and Shop Supplies | .53 | .49 | .41 | .35 |
| Legal and Accounting | .55 | .47 | .33 | .35 |
| Dues and Subscriptions | .12 | .10 | .09 | .10 |
| Travel, Buying, Entertainment | .28 | .23 | .23 | .30 |
| Unclassified | .71 | .57 | .70 | .61 |
| **Total Other Costs of Doing Business** | 9.78 | 8.61 | 8.30 | 8.13 |
| **Total Operating Expense** | 33.34 | 30.85 | 32.36 | 33.39 |
| **Net Operating Profit** | 2.53 | 2.65 | 2.93 | 2.76 |
| Other Income | .99 | 1.15 | 1.32 | 1.36 |
| **Net Profit (Before Income Taxes)** | 3.52 | 3.80 | 4.25 | 4.12 |

*As reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Sales Floor Size

| Balance Sheet Data | Sales Area Under 3,000 Sq. Ft. | 3,000 Sq. Ft. To 4,999 Sq. Ft. | 5,000 Sq. Ft. To 9,999 Sq. Ft. | Sales Area 10,000 Sq. Ft. Or More |
|---|---|---|---|---|
| **Total Dollar Assets** | $125,897 | $197,390 | $292,152 | $546,704 |
| | | % of Total Assets | | |
| **Assets** | | | | |
| Cash and Equivalent | 6.94 | 7.50 | 6.42 | 5.60 |
| Notes and Contracts Receivable | 2.52 | 3.27 | 3.63 | 3.73 |
| Accounts Receivable | 9.77 | 9.49 | 10.83 | 12.20 |
| Merchandise Inventory (End of Year) | 56.04 | 50.13 | 50.43 | 54.00 |
| Other Current Assets | 2.80 | 3.03 | 2.36 | 2.96 |
| **Total Current Assets** | 79.07 | 73.42 | 73.67 | 78.49 |
| Stocks and Bonds | 4.64 | 4.39 | 4.84 | 4.01 |
| Real Estate (Not Used in Business) | 1.35 | 3.51 | .39 | 1.22 |
| Other Investments | 1.51 | 2.70 | 2.93 | 3.51 |
| **Total Investments** | 7.50 | 10.60 | 8.16 | 8.74 |
| Land (Owned and Used in Business) | 1.53 | 1.77 | 1.78 | 1.45 |
| Buildings (Owned and Used in Business less Depreciation) | 5.85 | 7.99 | 8.76 | 4.33 |
| Machinery & Office Equipment (Owned and Used in Business less Depreciation) | 5.67 | 5.71 | 6.28 | 6.17 |
| Other Fixed Assets | 1.38 | .51 | 1.35 | .82 |
| **Total Fixed Assets** | 14.43 | 15.98 | 18.17 | 12.77 |
| **Total Assets** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Liabilities And Net Worth** | | | | |
| Accounts Payable | 10.34 | 8.34 | 10.14 | 10.12 |
| Notes Payable | 7.30 | 7.63 | 6.85 | 7.80 |
| Accrued Expenses Payable | 1.79 | 2.46 | 2.44 | 4.82 |
| Federal Income Taxes Payable | .39 | .34 | .35 | .33 |
| Other Current Liabilities | 1.55 | 2.22 | 1.99 | 2.34 |
| **Total Current Liabilities** | 21.37 | 20.99 | 21.77 | 25.41 |
| Long Term Debt | 16.05 | 14.38 | 15.84 | 10.86 |
| Deferred Income Taxes | .00 | .26 | .11 | .05 |
| Other Long Term Liabilities | 6.15 | 5.87 | 5.94 | 6.79 |
| **Total Long Term Liabilities** | 22.20 | 20.51 | 21.89 | 17.70 |
| **Total Liabilities** | 43.57 | 41.50 | 43.66 | 43.11 |
| **Net Worth** | 56.43 | 58.50 | 56.34 | 56.89 |
| **Total Liabilities And Net Worth** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | | |
| **Profit on Investment** | 11.67% | 12.83% | 14.67% | 16.18% |
| Active Owner's Return | 37.57% | 33.12% | 37.70% | 37.84% |
| Current Asset Ratio | 3.66x | 3.50x | 3.38x | 3.09x |
| Quick Asset Ratio | 1.03x | 1.11x | 1.07x | .96x |
| Total Debt to Tangible Net Worth | 77.18% | 70.92% | 77.50% | 75.74% |
| **Stock Turn Times** | 2.21x | 2.70x | 2.58x | 2.75x |
| Sales to Inventory Ratio | 3.45x | 4.06x | 3.98x | 4.30x |
| Average Inventory per Sq. Ft. Sales Area | $33.06 | $28.82 | $22.82 | $23.02 |
| Net Sales to Accounts Receivable | 19.15x | 20.80x | 17.95x | 18.33x |
| Net Sales to Total Assets | 1.87x | 1.97x | 1.94x | 2.24x |
| Net Sales to Net Worth | 3.31x | 3.37x | 3.45x | 3.93x |
| Net Sales to Net Working Capital | 3.30x | 3.77x | 3.75x | 4.21x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | .88% | .84% | .80% | .74% |
| Credit Sales — % of Total Gross Sales | 35.22% | 35.81% | 37.20% | 37.47% |
| Consumer Sales — % of Total Gross Sales | 81.54% | 81.99% | 80.86% | 85.20% |
| Selling Area — Square Feet | 2,156 | 3,789 | 6,560 | 13,456 |
| **Sales Per Square Foot — Selling Area** | $109.22 | $102.87 | $86.57 | $90.81 |
| Total Area — Square Feet | 3,825 | 6,151 | 9,675 | 19,279 |
| **Sales Per Square Foot — Total Area** | $61.57 | $63.37 | $58.69 | $63.38 |
| Sales Per Person Employed | $50,049 | $54,845 | $55,749 | $55,777 |
| Sales Per Customer | $7.67 | $8.85 | $7.61 | $9.54 |

# Type of Ownership

| Income Statement Data | Proprietorship | Partnership | Corporation |
|---|---|---|---|
| **Number of Stores** | 180 | 71 | 637 |
| **Net Sales Volume** | $235,599 | $382,589 | $576,984 |
| Current Year's Sales vs. Previous Year* | +2.50% | +6.26% | +3.80% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 65.96 | 66.06 | 64.51 |
| **Margin** | 34.04 | 33.94 | 35.49 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 5.60 | 7.16 | 6.21 |
| Salaries — Other Employees | 8.56 | 9.03 | 11.41 |
| Federal and State Payroll Taxes | .78 | .99 | 1.23 |
| Group Insurance | .31 | .36 | .48 |
| Benefit Plans | .08 | .13 | .51 |
| **Total Payroll and Other Employee Expense** | 15.33 | 17.67 | 19.84 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | 1.29 | .93 | 1.01 |
| Repairs to Building | .37 | .22 | .36 |
| Rent or Ownership in Real Estate** | 3.17 | 3.13 | 3.23 |
| **Total Occupancy Expense** | 4.83 | 4.28 | 4.60 |
| **Other Costs of Doing Business** | | | |
| Advertising | 2.36 | 2.36 | 1.98 |
| Depreciation (Other than Real Estate) | .88 | .63 | .71 |
| Insurance (Other than Real Estate or Group) | .94 | .77 | .90 |
| Taxes (Other than Real Estate or Payroll) | .36 | .22 | .54 |
| All Other Expenses | 5.37 | 3.64 | 4.64 |
| **Total Other Costs of Doing Business** | 9.91 | 7.62 | 8.77 |
| **Total Operating Expense** | 30.07 | 29.57 | 33.21 |
| **Net Operating Profit** | 3.97 | 4.37 | 2.28 |
| Other Income | .96 | 1.10 | 1.34 |
| **Net Profit (Before Income Taxes)** | 4.93 | 5.47 | 3.62 |
| **Financial Performance** | | | |
| **Profit on Investment** | 12.17% | 18.31% | 14.08% |
| Active Owner's Return | 25.98% | 42.23% | 38.27% |
| Current Asset Ratio | 4.67x | 4.51x | 3.15x |
| Quick Asset Ratio | 1.27x | 1.36x | .95x |
| Total Debt to Tangible Net Worth | 64.23% | 60.74% | 89.66% |
| **Stock Turn Times** | 2.10x | 2.58x | 2.56x |
| Sales to Inventory Ratio | 3.18x | 3.91x | 3.96x |
| Average Inventory per Sq. Ft. Sales Area | $18.32 | $22.67 | $26.78 |
| Net Sales to Accounts Receivable | 23.73x | 17.05x | 19.83x |
| Net Sales to Total Assets | 1.50x | 2.08x | 2.05x |
| Net Sales to Net Worth | 2.47x | 3.34x | 3.89x |
| Net Sales to Net Working Capital | 2.89x | 3.36x | 3.91x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | 1.03% | 1.12% | .80% |
| Credit Sales — % of Total Gross Sales | 31.26% | 34.21% | 36.19% |
| Consumer Sales — % of Total Gross Sales | 87.81% | 84.21% | 80.17% |
| Selling Area — Square Feet | 3,978 | 4,440 | 5,831 |
| **Sales Per Square Foot — Selling Area** | $59.23 | $86.17 | $98.95 |
| Total Area — Square Feet | 5,716 | 7,062 | 8,890 |
| **Sales Per Square Foot — Total Area** | $41.22 | $54.18 | $64.90 |
| Sales Per Person Employed | $49,667 | $57,249 | $55,778 |
| Sales Per Customer | $6.96 | $5.04 | $9.13 |

*As reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Trade Area Size

| Income Statement Data | S.M.S.A. Central City | S.M.S.A. Suburban | Cities 10,000 To 50,000 | Rural Areas Under 10,000 |
|---|---|---|---|---|
| **Number of Stores** | 110 | 45 | 202 | 478 |
| **Net Sales Volume** | $649,555 | $698,399 | $548,047 | $415,142 |
| Current Year's Sales vs. Previous Year* | +5.30% | -.28% | +3.68% | +4.08% |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 62.38 | 63.67 | 63.99 | 65.68 |
| **Margin** | 37.62 | 36.33 | 36.01 | 34.32 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 7.50 | 6.17 | 5.64 | 6.27 |
| Salaries — Other Employees | 11.62 | 12.08 | 11.88 | 10.26 |
| Federal and State Payroll Taxes | 1.28 | 1.24 | 1.21 | 1.11 |
| Group Insurance | .49 | .55 | .44 | .46 |
| Benefit Plans | .47 | .78 | .52 | .37 |
| **Total Payroll and Other Employee Expense** | 21.36 | 20.82 | 19.69 | 18.47 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | 1.00 | .93 | .99 | 1.05 |
| Repairs to Building | .53 | .33 | .28 | .31 |
| Rent or Ownership in Real Estate** | 3.40 | 3.73 | 3.19 | 3.08 |
| **Total Occupancy Expense** | 4.93 | 4.99 | 4.46 | 4.44 |
| **Other Costs of Doing Business** | | | | |
| Advertising | 2.01 | 1.64 | 2.17 | 2.02 |
| Depreciation (Other than Real Estate) | .72 | .71 | .68 | .76 |
| Insurance (Other than Real Estate or Group) | .85 | .79 | .87 | .91 |
| Taxes (Other than Real Estate or Payroll) | .37 | .27 | .70 | .48 |
| All Other Expenses | 4.50 | 4.08 | 4.70 | 4.89 |
| **Total Other Costs of Doing Business** | 8.45 | 7.49 | 9.12 | 9.06 |
| **Total Operating Expense** | 34.74 | 33.30 | 33.27 | 31.97 |
| **Net Operating Profit** | 2.88 | 3.03 | 2.74 | 2.35 |
| Other Income | 1.07 | 1.19 | 1.16 | 1.47 |
| **Net Profit (Before Income Taxes)** | 3.95 | 4.22 | 3.90 | 3.82 |
| **Financial Performance** | | | | |
| **Profit on Investment** | 16.57% | 14.21% | 14.72% | 12.82% |
| Active Owner's Return | 48.00% | 34.95% | 36.04% | 33.88% |
| Current Asset Ratio | 3.27x | 4.21x | 2.90x | 3.58x |
| Quick Asset Ratio | .96x | 1.59x | .87x | 1.04x |
| Total Debt to Tangible Net Worth | 72.08% | 61.47% | 90.29% | 86.55% |
| **Stock Turn Times** | 2.93x | 2.93x | 2.40x | 2.33x |
| Sales to Inventory Ratio | 4.69x | 4.61x | 3.74x | 3.55x |
| Average Inventory per Sq. Ft. Sales Area | $26.50 | $26.54 | $26.87 | $23.68 |
| Net Sales to Accounts Receivable | 28.97x | 20.25x | 16.56x | 18.90x |
| Net Sales to Total Assets | 2.43x | 2.08x | 1.99x | 1.80x |
| Net Sales to Net Worth | 4.19x | 3.37x | 3.78x | 3.36x |
| Net Sales to Net Working Capital | 4.57x | 3.71x | 3.89x | 3.36x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | .53% | .70% | .82% | 1.00% |
| Credit Sales — % of Total Gross Sales | 36.85% | 36.07% | 37.07% | 34.40% |
| Consumer Sales — % of Total Gross Sales | 80.43% | 79.87% | 78.02% | 84.28% |
| Selling Area — Square Feet | 5,588 | 6,350 | 5,864 | 4,989 |
| **Sales Per Square Foot — Selling Area** | $116.24 | $109.98 | $93.46 | $83.21 |
| Total Area — Square Feet | 8,266 | 9,699 | 8,919 | 7,644 |
| **Sales Per Square Foot — Total Area** | $78.58 | $72.01 | $61.45 | $54.31 |
| Sales Per Person Employed | $54,798 | $57,937 | $54,413 | $56,097 |
| Sales Per Customer | $7.69 | $11.58 | $9.32 | $7.89 |

*As reported to us by Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Store Location: Part I

| Income Statement Data | Downtown | Suburban | Rural |
|---|---|---|---|
| **Number of Stores** | 409 | 193 | 52 |
| **Net Sales Volume** | $433,065 | $655,813 | $465,304 |
| Current Year's Sales vs. Previous Year* | +3.22% | +5.50% | +6.84% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 64.82 | 65.51 | 64.93 |
| **Margin** | 35.18 | 34.49 | 35.07 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 6.24 | 6.59 | 6.17 |
| Salaries — Other Employees | 11.02 | 10.24 | 10.28 |
| Federal and State Payroll Taxes | 1.15 | 1.14 | 1.11 |
| Group Insurance | .50 | .40 | .29 |
| Benefit Plans | .45 | .49 | .28 |
| **Total Payroll and Other Employee Expense** | 19.36 | 18.86 | 18.13 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .98 | .99 | 1.18 |
| Repairs to Building | .33 | .39 | .45 |
| Rent or Ownership in Real Estate** | 2.82 | 3.45 | 3.24 |
| **Total Occupancy Expense** | 4.13 | 4.83 | 4.87 |
| **Other Costs of Doing Business** | | | |
| Advertising | 1.92 | 1.93 | 2.11 |
| Depreciation (Other than Real Estate) | .65 | .74 | .86 |
| Insurance (Other than Real Estate and Group) | .90 | .82 | .97 |
| Taxes (Other than Real Estate and Payroll) | .55 | .44 | .84 |
| All Other Expenses | 4.67 | 4.21 | 4.57 |
| **Total Other Costs of Doing Business** | 8.69 | 8.14 | 9.35 |
| **Total Operating Expense** | 32.18 | 31.83 | 32.35 |
| **Net Operating Profit** | 3.00 | 2.66 | 2.72 |
| Other Income | 1.51 | 1.02 | .78 |
| **Net Profit (Before Income Taxes)** | 4.51 | 3.68 | 3.50 |
| **Financial Performance** | | | |
| **Profit on Investment** | 13.93% | 15.77% | 15.57% |
| Active Owner's Return | 33.18% | 43.98% | 43.02% |
| Current Asset Ratio | 3.69x | 2.90x | 2.69x |
| Quick Asset Ratio | 1.20x | .83x | .76x |
| Total Debt to Tangible Net Worth | 64.89% | 88.46% | 137.86% |
| **Stock Turn Times** | 2.45x | 3.00x | 2.51x |
| Sales to Inventory Ratio | 3.79x | 4.58x | 3.86x |
| Average Inventory per Sq. Ft. Sales Area | $24.16 | $25.34 | $27.07 |
| Net Sales to Accounts Receivable | 16.09x | 27.53x | 17.99x |
| Net Sales to Total Assets | 1.87x | 2.27x | 1.87x |
| Net Sales to Net Worth | 3.08x | 4.28x | 4.45x |
| Net Sales to Net Working Capital | 3.38x | 4.81x | 4.31x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .97% | .55% | .55% |
| Credit Sales — % Total Gross Sales | 39.22% | 34.45% | 35.64% |
| Consumer Sales — % of Total Gross Sales | 81.77% | 80.29% | 85.79% |
| Selling Area — Square Feet | 5,040 | 6,197 | 5,199 |
| **Sales Per Square Foot — Selling Area** | $85.93 | $105.83 | $89.50 |
| Total Area — Square Feet | 7,969 | 8,884 | 8,157 |
| **Sales Per Square Foot — Total Area** | $54.34 | $73.82 | $57.04 |
| Sales Per Person Employed | $54,194 | $55,525 | $57,747 |
| Sales Per Customer | $9.89 | $7.14 | $10.74 |

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Store Location: Part II

| Income Statement Data | Shopping Center | | Free-Standing | |
|---|---|---|---|---|
| | Neighborhood | Community or Regional | No Stores Adjacent | Stores Nearby |
| **Number of Stores** | 96 | 74 | 99 | 431 |
| **Net Sales Volume** | $446,321 | $541,355 | $637,830 | $479,392 |
| Current Year's Sales vs. Previous Year* | +5.02% | +6.13% | +1.78% | +4.16% |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 62.20 | 64.62 | 65.57 | 65.51 |
| **Margin** | 37.80 | 35.38 | 34.43 | 34.49 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 7.43 | 6.06 | 5.62 | 6.32 |
| Salaries – Other Employees | 10.64 | 10.35 | 11.28 | 10.68 |
| Federal and State Payroll Taxes | 1.21 | 1.10 | 1.21 | 1.13 |
| Group Insurance | .51 | .41 | .46 | .43 |
| Benefit Plans | .25 | .65 | .62 | .41 |
| **Total Payroll and Other Employee Expense** | 20.04 | 18.57 | 19.19 | 18.97 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | 1.07 | .98 | .97 | .99 |
| Repairs to Building | .43 | .25 | .37 | .36 |
| Rent or Ownership in Real Estate** | 3.69 | 3.19 | 3.19 | 2.98 |
| **Total Occupancy Expense** | 5.19 | 4.42 | 4.53 | 4.33 |
| **Other Costs of Doing Business** | | | | |
| Advertising | 2.22 | 1.83 | 1.76 | 1.92 |
| Depreciation (Other than Real Estate) | .69 | .64 | .71 | .68 |
| Insurance (Other than Real Estate or Group) | 1.00 | .76 | .78 | .90 |
| Taxes (Other than Real Estate or Payroll) | .45 | .78 | .36 | .52 |
| All Other Expenses | 5.07 | 4.63 | 4.03 | 4.43 |
| **Total Other Costs of Doing Business** | 9.43 | 8.64 | 7.64 | 8.45 |
| **Total Operating Expense** | 34.66 | 31.63 | 31.36 | 31.75 |
| **Net Operating Profit** | 3.14 | 3.75 | 3.07 | 2.74 |
| Other Income | 1.00 | .96 | 1.23 | 1.37 |
| **Net Profit (Before Income Taxes)** | 4.14 | 4.71 | 4.30 | 4.11 |
| **Financial Performance** | | | | |
| **Profit on Investment** | 16.54% | 18.18% | 15.51% | 13.74% |
| Active Owner's Return | 46.18% | 41.56% | 35.82% | 34.87% |
| Current Asset Ratio | 3.39x | 3.17x | 3.88x | 3.37x |
| Quick Asset Ratio | .93x | .86x | 1.22x | 1.09x |
| Total Debt to Tangible Net Worth | 92.03% | 94.05% | 70.68% | 69.34% |
| **Stock Turn Times** | 2.51x | 2.28x | 2.80x | 2.68x |
| Sales to Inventory Ratio | 4.04x | 3.52x | 4.28x | 4.10x |
| Average Inventory per Sq. Ft. Sales Area | $22.85 | $26.98 | $27.23 | $24.54 |
| Net Sales to Accounts Receivable | 27.52x | 16.82x | 21.00x | 18.40x |
| Net Sales to Total Assets | 2.08x | 1.99x | 2.12x | 1.98x |
| Net Sales to Net Worth | 3.99x | 3.86x | 3.61x | 3.35x |
| Net Sales to Net Working Capital | 4.00x | 3.62x | 3.81x | 3.81x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | 76% | 72% | 60% | 84% |
| Credit Sales — % of Total Gross Sales | 32.78% | 37.02% | 34.94% | 37.34% |
| Consumer Sales — % of Total Gross Sales | 85.62% | 84.58% | 76.93% | 81.71% |
| Selling Area — Square Feet | 5,154 | 6,218 | 6,292 | 5,104 |
| **Sales Per Square Foot — Selling Area** | $86.60 | $87.06 | $101.37 | $93.92 |
| Total Area — Square Feet | 7,232 | 9,085 | 9,876 | 7,883 |
| **Sales Per Square Foot — Total Area** | $61.71 | $59.59 | $64.58 | $60.81 |
| Sales Per Person Employed | $47,824 | $54,129 | $58,243 | $55,558 |
| Sales Per Customer | $6.42 | $5.81 | $10.19 | $9.45 |

*As reported to us by Management Report contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Geographical Region

1. **New England**
   Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
2. **Middle Atlantic**
   New Jersey, New York, Pennsylvania
3. **South Atlantic**
   Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia
4. **East North Central**
   Illinois, Indiana, Michigan, Ohio, Wisconsin
5. **East South Central**
   Alabama, Kentucky, Mississippi, Tennessee
6. **West North Central**
   Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota
7. **West South Central**
   Arkansas, Louisiana, Oklahoma, Texas
8. **Mountain**
   Arizona, Colorado, Idaho, Montana, New Mexico, Nevada, Utah, Wyoming,
9. **Pacific**
   California, Oregon, Washington

*As reported to us by Management Report contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings

| Income Statement Data | New England |
|---|---|
| **Number of Stores** | 96 |
| **Net Sales Volume** | $542,211 |
| Current Year's Sales vs. Previous Year* | +3.25% |
| Net Sales | 100.00% |
| Cost of Goods Sold | 65.78 |
| **Margin** | 34.22 |
| **Payroll and Other Employee Expense** | |
| Salaries — Owners, Officers, Managers | 5.57 |
| Salaries — Other Employees | 11.60 |
| Federal and State Payroll Taxes | 1.30 |
| Group Insurance | .67 |
| Benefit Plans | .50 |
| **Total Payroll and Other Employee Expense** | 19.64 |
| **Occupancy Expense** | |
| Heat, Light, Power, Water | 1.14 |
| Repairs to Building | .30 |
| Rent or Ownership in Real Estate** | 3.49 |
| **Total Occupancy Expense** | 4.93 |
| **Other Costs of Doing Business** | |
| Advertising | 1.49 |
| Depreciation (Other than Real Estate) | .76 |
| Insurance (Other than Real Estate and Group) | .91 |
| Taxes (Other than Real Estate and Payroll) | .12 |
| All Other Expenses | 4.30 |
| **Total Other Costs of Doing Business** | 7.58 |
| **Total Operating Expense** | 32.15 |
| **Net Operating Profit** | 2.07 |
| Other Income | 1.30 |
| **Net Profit (Before Income Taxes)** | 3.37 |

| Financial Performance | |
|---|---|
| **Profit on Investment** | 14.56% |
| Active Owner's Return | 38.61% |
| Current Asset Ratio | 2.87x |
| Quick Asset Ratio | .97x |
| Total Debt to Tangible Net Worth | 88.49% |
| **Stock Turn Times** | 3.20x |
| Sales to Inventory Ratio | 4.87x |
| Average Inventory per Sq. Ft. Sales Area | $29.10 |
| Net Sales to Accounts Receivable | 23.37x |
| Net Sales to Total Assets | 2.29x |
| Net Sales to Net Worth | 4.32x |
| Net Sales to Net Working Capital | 4.73x |

| Other Operating Data | |
|---|---|
| Incoming Freight — % of Purchases | .63% |
| Credit Sales — % Total Gross Sales | 36.08% |
| Consumer Sales — % of Total Gross Sales | 82.14% |
| Selling Area — Square Feet | 4,642 |
| **Sales Per Square Foot — Selling Area** | 116.81 |
| Total Area — Square Feet | 7,890 |
| **Sales Per Square Foot — Total Area** | $68.72 |
| Sales Per Person Employed | $52,358 |
| Sales Per Customer | $8.11 |

# Geographical Region

| 2 Middle Atlantic | 3 South Atlantic | 4 East North Central | 5 East South Central | 6 West North Central | 7 West South Central | 8 Mountain | 9 Pacific |
|---|---|---|---|---|---|---|---|
| 137 | 106 | 292 | 39 | 149 | 20 | 14 | 53 |
| $382,575 | $584,291 | $495,014 | $473,190 | $409,481 | $797,269 | $690,058 | $504,457 |
| +6.14% | +8.17% | +.91% | +1.71% | +2.76% | +8.98% | +3.84% | +6.93% |
| 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |
| 64.36 | 67.04 | 63.03 | 67.16 | 66.62 | 65.23 | 65.26 | 61.93 |
| 35.64 | 32.96 | 36.97 | 32.84 | 33.38 | 34.77 | 34.74 | 38.07 |
| | | | | | | | |
| 6.71 | 6.54 | 6.29 | 5.41 | 5.99 | 4.70 | 4.83 | 7.19 |
| 10.18 | 9.82 | 11.86 | 9.97 | 10.35 | 11.93 | 10.75 | 11.32 |
| 1.30 | .93 | 1.25 | .86 | 1.04 | .98 | 1.07 | 1.40 |
| .36 | .33 | .52 | .45 | .37 | .42 | .71 | .35 |
| .59 | .26 | .44 | .09 | .41 | .68 | .40 | .58 |
| 19.14 | 17.88 | 20.36 | 16.78 | 18.16 | 18.71 | 17.76 | 20.84 |
| | | | | | | | |
| 1.16 | .88 | 1.16 | .83 | 1.04 | .75 | .75 | .71 |
| .44 | .50 | .28 | .39 | .28 | .42 | .41 | .37 |
| 3.35 | 2.64 | 3.34 | 2.64 | 3.19 | 3.06 | 4.11 | 3.42 |
| 4.95 | 4.02 | 4.78 | 3.86 | 4.51 | 4.23 | 5.27 | 4.50 |
| | | | | | | | |
| 2.02 | 1.17 | 2.57 | 1.42 | 2.36 | 1.31 | 1.83 | 1.91 |
| .70 | .68 | .83 | .77 | .70 | .46 | .42 | .59 |
| 1.19 | .71 | .84 | 1.02 | .98 | .63 | .51 | .88 |
| .53 | .82 | .54 | .61 | .24 | .35 | .38 | .47 |
| 4.37 | 4.18 | 5.16 | 5.73 | 5.14 | 3.41 | 3.85 | 4.89 |
| 8.81 | 7.56 | 9.94 | 9.55 | 9.42 | 6.16 | 6.99 | 8.74 |
| 32.90 | 29.46 | 35.08 | 30.19 | 32.09 | 29.10 | 30.02 | 34.08 |
| 2.74 | 3.50 | 1.89 | 2.65 | 1.29 | 5.67 | 4.72 | 3.99 |
| .95 | 1.12 | 1.38 | 2.37 | 1.26 | 1.49 | 1.39 | .98 |
| 3.69 | 4.62 | 3.27 | 5.02 | 2.55 | 7.16 | 6.11 | 4.97 |
| | | | | | | | |
| 12.16% | 16.10% | 12.63% | 16.65% | 10.33% | 20.11% | 21.48% | 16.67% |
| 34.23% | 38.86% | 36.94% | 34.59% | 34.60% | 33.31% | 38.48% | 40.81% |
| 3.36x | 3.36x | 3.33x | 2.84x | 3.01x | 6.65x | 3.42x | 5.03x |
| 1.03x | 1.05x | .90x | .94x | .81x | 2.75x | .75x | 1.59x |
| 70.66% | 64.84% | 109.00% | 78.26% | 100.34% | 31.95% | 91.88% | 50.86% |
| 2.63x | 2.97x | 2.18x | 2.38x | 2.36x | 2.83x | 2.33x | 2.51x |
| 4.08x | 4.43x | 3.46x | 3.54x | 3.54x | 4.34x | 3.57x | 4.06x |
| $25.19 | $26.44 | $23.86 | $25.21 | $22.37 | $23.62 | $30.35 | $25.60 |
| 19.73x | 16.71x | 23.32x | 13.08x | 19.13x | 15.02x | 29.12x | 21.20x |
| 1.93x | 2.11x | 1.85x | 1.86x | 2.02x | 2.13x | 1.83x | 2.22x |
| 3.29x | 3.48x | 3.87x | 3.31x | 4.05x | 2.81x | 3.52x | 3.36x |
| 3.84x | 4.20x | 3.50x | 3.53x | 3.79x | 2.97x | 3.75x | 3.32x |
| | | | | | | | |
| .47% | .57% | 1.14% | .95% | 1.19% | .40% | .59% | .76% |
| 36.54% | 41.05% | 31.33% | 38.00% | 36.52% | 38.11% | 34.91% | 37.07% |
| 80.97% | 74.67% | 83.40% | 83.17% | 85.61% | 81.68% | 84.00% | 87.79% |
| 4,078 | 5,877 | 5,594 | 5,990 | 5,473 | 7,953 | 6,582 | 5,379 |
| $93.81 | $99.42 | $88.49 | $79.00 | $74.82 | $100.25 | $104.84 | $93.78 |
| 6,625 | 9,386 | 8,251 | 9,746 | 7,449 | 12,243 | 9,729 | 7,334 |
| $57.75 | $62.65 | $59.99 | $48.55 | $54.97 | $65.12 | $70.93 | $68.78 |
| $55,067 | $60,994 | $51,559 | $72,602 | $54,477 | $62,975 | $57,505 | $49,438 |
| $7.64 | $9.02 | $8.30 | $14.73 | $9.48 | $13.14 | $4.60 | $7.20 |

# Number of Stores

| Income Statement Data | Single Store Business | Multiple Store Business |
|---|---|---|
| **Number of Stores** | 802 | 106 |
| **Net Sales Volume** | $482,373 | $554,869 |
| Current Year's Sales vs. Previous Year* | +3.64% | +5.15% |
| Net Sales | 100.00% | 100.00% |
| Cost of Goods Sold | 64.56 | 66.30 |
| **Margin** | 35.44 | 33.70 |
| **Payroll and Other Employee Expense** | | |
| Salaries — Owners, Officers, Managers | 6.23 | 5.71 |
| Salaries — Other Employees | 10.93 | 11.24 |
| Federal and State Payroll Taxes | 1.17 | 1.18 |
| Group Insurance | .45 | .45 |
| Benefit Plans | .43 | .45 |
| **Total Payroll and Other Employee Expense** | 19.21 | 19.03 |
| **Occupancy Expense** | | |
| Heat, Light, Power, Water | 1.04 | 1.01 |
| Repairs to Building | .32 | .51 |
| Rent or Ownership in Real Estate** | 3.25 | 3.04 |
| **Total Occupancy Expense** | 4.61 | 4.56 |
| **Other Costs of Doing Business** | | |
| Advertising | 2.07 | 1.62 |
| Depreciation (Other than Real Estate) | .73 | .70 |
| Insurance (Other than Real Estate and Group) | .89 | .90 |
| Taxes (Other than Real Estate and Payroll) | .47 | .67 |
| All Other Expenses | 4.75 | 4.80 |
| **Total Other Costs of Doing Business** | 8.91 | 8.69 |
| **Total Operating Expense** | 32.73 | 32.28 |
| **Net Operating Profit** | 2.71 | 1.42 |
| Other Income | 1.30 | 1.15 |
| **Net Profit (Before Income Taxes)** | 4.01 | 2.57 |
| **Financial Performance** | | |
| **Profit on Investment** | 14.39% | 11.30% |
| Active Owner's Return | 36.77% | 36.74% |
| Current Asset Ratio | 3.44x | 2.55x |
| Quick Asset Ratio | 1.03x | .73x |
| Total Debt to Tangible Net Worth | 84.49% | 95.01% |
| **Stock Turn Times** | 2.44x | 2.90x |
| Sales to Inventory Ratio | 3.78x | 4.38x |
| Average Inventory per Sq. Ft. Sales Area | $23.14 | $80.87 |
| Net Sales to Accounts Receivable | 19.61x | 19.41x |
| Net Sales to Total Assets | 1.95x | 2.26x |
| Net Sales to Net Worth | 3.59x | 4.42x |
| Net Sales to Net Working Capital | 3.61x | 4.99x |
| **Other Operating Data** | | |
| Incoming Freight — % of Purchases | .89% | .63% |
| Credit Sales — % Total Gross Sales | 35.05% | 38.22% |
| Consumer Sales — % of Total Gross Sales | 82.85% | 76.63% |
| Selling Area — Square Feet | 5,373 | 5,236 |
| **Sales Per Square Foot — Selling Area** | $89.78 | $105.97 |
| Total Area — Square Feet | 8,085 | 8,479 |
| **Sales Per Square Foot — Total Area** | $59.66 | $65.44 |
| Sales Per Person Employed | $54,065 | $62,721 |
| Sales Per Customer | $8.25 | $9.90 |

*As reported to us by Management Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for hard-lines retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

### Profit Margin

**Sales** — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

**Cost of Goods Sold** — Improve Gross Margin through variable pricing, efficient buying, etc.

**Expenses** — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however carefully review each item of expense for areas of cost savings.

**Other income** — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

### Asset Turnover

**Inventory** — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

**Accounts Receivable** — Review status of accounts, if excessively high without the use of a finance charge, customers are operating on the firm's money.

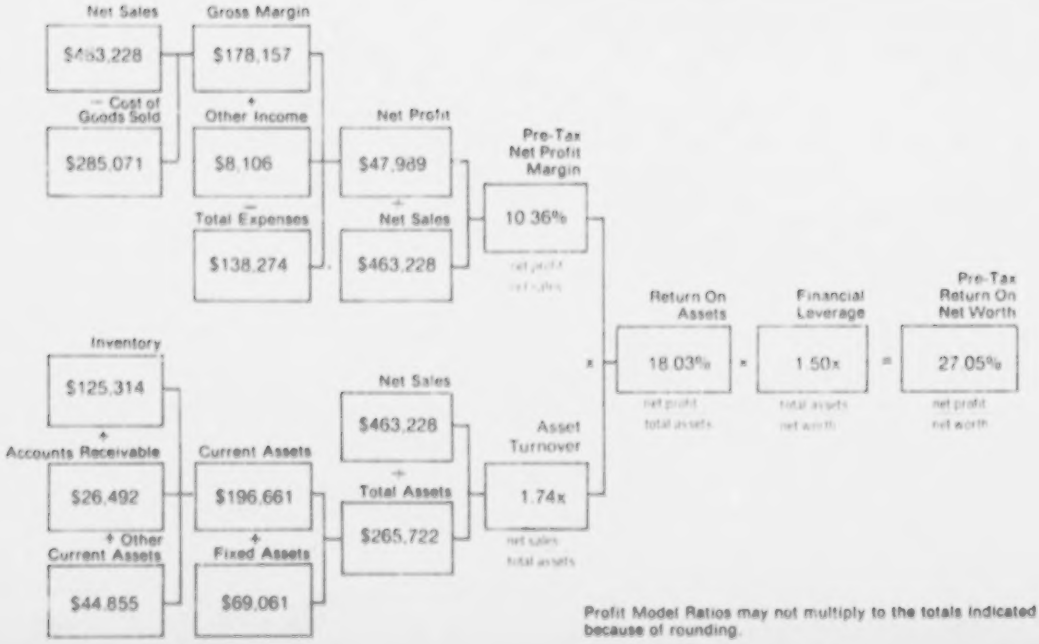
**Fixed Assets** — Divide Net Sales by Fixed Assets; a substantially lower than industry average ratio indicates excessive investments resulting in idle capacity.

### Leverage

The amount of borrowed funds has a number of major implications. 1) creditors look to owner supplied funds to provide a margin of safety, 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

# High-Profit Stores




Profit Model Ratios may not multiply to the totals indicated because of rounding.

# Departmental Sales

The Departmental Sales section of the Financial Report offers a variety of information for thirteen major departments carried in the hardlines industry's retail outlets.

**Departmental Contributions**
Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that do not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows 90% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the average of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a hardware store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a hardware store that does not carry all the major departments. How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report, only a simple computation is required. First, for each department carried, add the industry average percents of Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for a hardware store carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand and Power Tools, Paint and Sundries and Automotive Supplies. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

| | |
|---|---|
| Hardware | 15.0% |
| Hand and Power Tools | 10.0% |
| Paint and Sundries | 20.0% |
| Automotive Supplies | 5.0% |

The total of these percents equals 50.0%. Now divide the total (50.0%) into each of the individual department's percent:

| | | |
|---|---|---|
| Hardware | 15.0 / 50.0 | = 30.0% |
| Hand and Power Tools | 10.0 / 50.0 | = 20.0% |
| Paint and Sundries | 20.0 / 50.0 | = 40.0% |
| Automotive Supplies | 5.0 / 50.0 | = 10.0% |

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand and Power Tools, Paint and Sundries, and Automotive Supplies. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space, inventory and cost of goods sold.

**Productivity**
There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: hardware, paint, electrical and plumbing, heating and cooling. Margin evaluations alone would indicate major appliances, lumber and other departments to be below average performance.

An additional measure is the sales to inventory ratio (net sales divided by average inventory at cost). On the basis of this ratio alone, paint and paint sundries, electrical supplies and lumber exceed all the other department averages.

An excellent way for hardware store operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking the margin percentage times the sales to inventory ratio. Lawn and Garden's GMROI, for example, is 1.30 which means $1.30 in margin is returned for each $1.00 invested in lawn and garden inventory. Resultant GMROI figures give hardware store operators ways to measure departmental performance across diverse merchandise lines. Traditional high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

Individual hardware store operators may utilize other evaluations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

# Departmental Contribution

| Department | Handling Firms Only: % Handling | % of Net Sales | % of Sales Floor | % of Inventory | % of Cost of Goods Sold | $ Sales Per Sq. Ft. | Average Store Profile: % of Net Sales | % of Sales Floor | % of Inventory | % of Cost of Goods Sold |
|---|---|---|---|---|---|---|---|---|---|---|
| Hardware | 100.0 | 20.4 | 16.4 | 18.2 | 17.6 | 107.37 | 20.3 | 16.3 | 18.1 | 17.7 |
| Hand & Power Tools | 100.0 | 8.9 | 9.3 | 12.2 | 11.3 | 98.18 | 7.8 | 8.4 | 11.3 | 9.5 |
| Plumbing, Heating and Cooling | 100.0 | 11.9 | 10.9 | 10.4 | 9.8 | 97.83 | 11.3 | 10.3 | 9.7 | 9.3 |
| Electrical Supplies | 100.0 | 9.0 | 7.5 | 7.7 | 8.4 | 114.32 | 8.4 | 7.2 | 7.3 | 7.8 |
| Paint & Paint Sundries | 97.6 | 13.2 | 12.6 | 12.9 | 11.6 | 104.79 | 12.9 | 12.6 | 12.9 | 11.6 |
| Lumber | 13.4 | 11.0 | 4.4 | 3.2 | 1.4 | 64.68 | 1.4 | .5 | .2 | .1 |
| Building Materials | 24.9 | 6.7 | 3.8 | 4.5 | 3.3 | 62.98 | 1.7 | 1.0 | .8 | .7 |
| Lawn & Garden | 90.9 | 11.5 | 12.5 | 11.3 | 12.5 | 87.33 | 10.4 | 12.1 | 10.9 | 11.4 |
| Housewares | 85.8 | 12.8 | 18.4 | 18.9 | 15.1 | 78.65 | 11.0 | 15.9 | 16.6 | 12.5 |
| Automotive Supplies | 54.6 | 4.7 | 4.7 | 3.0 | 4.0 | 111.13 | 2.6 | 2.9 | 1.7 | 2.2 |
| Major Appliances & Home Entertainment | 21.7 | 7.6 | 5.5 | 5.0 | 8.8 | 115.31 | 1.6 | .8 | 1.0 | 2.1 |
| Sporting Goods & Outdoor Equipment | 67.6 | 6.0 | 7.4 | 7.9 | 8.9 | 78.01 | 4.1 | 4.8 | 5.4 | 6.3 |
| Other Departments | 56.5 | 11.8 | 13.8 | 9.6 | 14.6 | 98.91 | 6.5 | 7.2 | 4.1 | 8.8 |
| | | | | | | | 100.0 | 100.0 | 100.0 | 100.0 |

# Productivity

| Department | Typical Store Profile: Gross Margin % | Sales To Inventory Ratio | GMROI |
|---|---|---|---|
| Hardware | 40.9 | 4.0 | 1.64 |
| Hand & Power Tools | 33.9 | 3.3 | 1.12 |
| Plumbing, Heating & Cooling | 36.4 | 4.1 | 1.57 |
| Electrical Supplies | 36.8 | 4.8 | 1.86 |
| Paint & Paint Sundries | 37.9 | 4.5 | 1.71 |
| Lumber | 32.0 | 4.7 | 1.50 |
| Building Materials | 33.5 | 2.6 | .87 |
| Lawn & Garden | 34.3 | 3.8 | 1.30 |
| Housewares | 34.8 | 3.6 | 1.25 |
| Automotive Supplies | 33.9 | 4.0 | 1.36 |
| Major Appliances & Home Entertainment | 26.8 | 4.3 | 1.15 |
| Sporting Goods & Outdoor Equipment | 32.9 | 3.2 | 1.05 |
| Other Departments | 32.0 | 3.2 | 1.02 |

# Compensation Study

Compensation data has been gathered for seven types of retail hardgood industry employees:

**Department Managers**
Employees who have specific responsibility for a given department or departments like the housewares, paint, or electrical supply departments.

**Sales Personnel**
Employees who spend the majority of their time on the sales floor, ordering and stocking as well as selling.

**Office Personnel**
Those who spend the majority of their time in the office — accountants, bookkeepers, billing clerks, data processing personnel, etc.

**Check-Out/Counter Help**
Employees who spend most of their time at the cash register or information counter.

**Delivery Personnel**
Employees who spend the majority of their time delivering goods and orders — also includes receiving help.

**Warehouse Personnel**
Employees who spend the majority of their time in the store or cental warehouse. Includes fork-lift operators, truckloaders, order processors, foremen and other warehouse personnel.

**Other Personnel**
Any other employee not covered in the above categories, including shop-labor, repairmen, watchmen and janitorial personnel.

Even though wage rates differ substantially by locality, the results contained in this section provide many guidelines for comparison. The Compensation Study presents for each employee classification data related to:

— Average number per $100,000 sales
— % Full-Time
— Annual Salary
— Wage per Hour
— Annual Man Hours Worked

**Average Number Per Sales**
—Computed by dividing the number of employees in each category by Net Sales stated in thousands of dollars.
—Expressed as a number.
—Shows the number of employees for each category per $100,000 in sales.

—For example, sales equal $2 million. First divide $2 million by $100,000 = 20.0. Next, divide each category by 20. For example, 8 full-time sales ÷ 8 ÷ 20 = 0.400 per $100,000.

**% Full Time**
—Computed by dividing the number of Full-Time Employees in each category by all employees in that category.
—Shows the percentage of employees in each category who are full-time (30 or more hrs. per week).

**Annual Salary**
—All wages and bonuses paid.

**Wage Per Hour**
—Computed by dividing the annual salary including bonuses by the total man hours worked.

**Annual Man Hours Worked**
—Regular and overtime hours less vacation time. Useful when compared to past performance.

Additionally, the Compensation Study presents data for three important measures of productivity for all employees and sales personnel:
—Sales per Year
—Sales per Man Hour
—Sales per $ Payroll

**Sales Per Year**
—Computed by dividing the total annual Net Sales by the total number of employees or the total number of sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.

**Sales Per Man Hour**
—Computed by dividing the total annual Net Sales by the total man hours worked for all employees or by the total man hours worked for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—Useful when compared with past performance results. The ratio gives an indication of sales produced per hours worked.

**Sales Per $ Payroll**
—Computed by dividing the total annual Net Sales by the total annual payroll for all employees or by the total annual payroll for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—The ratio measures sales generated per dollar of payroll expense. Again useful when compared to past performance.

Additional data gathered on Owners, Officers and Store Managers is available on a confidential basis from NRHA or your regional Hardware Association. To obtain your copy, request the Management Report Owner, Officer and Manager Compensation Report on your firm's letterhead.

# All Stores

| Type of Employee | Average Number Per $100,000 Sales | % Full Time | Annual Salary Includes Bonus $ | Wage Per Hour $ | Annual Man Hours Worked |
|---|---|---|---|---|---|
| Department Managers | 0.28 | | 12,639 | 5.89 | 2,146 |
| Sales — Full-Time | 0.58 | 60.4 | 8,612 | 4.30 | 2,005 |
| Sales — Part-Time | 0.61 | | | 3.61 | 900 |
| Office — Full-Time | 0.17 | 78.8 | 9,142 | 4.60 | 1,989 |
| Office — Part-Time | 0.20 | | | 4.55 | 801 |
| Check-Out — Full-Time | 0.19 | 57.9 | 7,207 | 3.66 | 1,967 |
| Check-Out — Part-Time | 0.31 | | | 3.34 | 859 |
| Delivery — Full-Time | 0.11 | 79.5 | 9,430 | 4.42 | 2,134 |
| Delivery — Part-Time | 0.17 | | | 3.73 | 817 |
| Warehouse — Full-Time | 0.11 | 81.0 | 9,018 | 4.35 | 2,071 |
| Warehouse — Part-Time | 0.15 | | | 3.82 | 956 |
| Other — Full-Time | 0.21 | 86.8 | 11,680 | 5.64 | 2,071 |
| Other — Part-Time | 0.27 | | | 3.88 | 652 |
| All Full-Time Employees* | 1.37 | 64.3 | 9,266 | 4.57 | 2,027 |
| All Part-Time Employees | 1.71 | | | 3.68 | 865 |

# Employee Productivity

| Type of Store | Sales Per Year | | Sales Per Man Hour | | Sales Per $ Payroll | |
|---|---|---|---|---|---|---|
| | All Employees** $ | Sales Personnel Only $ | All Employees** $ | Sales Personnel Only $ | All Employees** $ | Sales Personnel Only $ |
| **All Stores** | 49,329 | 101,616 | 29.98 | 68.33 | 5.50 | 16.66 |
| **Sales Volume Size** | | | | | | |
| Sales under $250,000 | 38,260 | 74,064 | 22.60 | 61.23 | 5.61 | 15.96 |
| $250,000 to $499,000 | 45,639 | 89,630 | 27.67 | 60.10 | 5.38 | 14.74 |
| $500,000 to $749,999 | 44,897 | 95,651 | 28.69 | 67.81 | 5.33 | 16.97 |
| $750,000 or more | 57,413 | 122,239 | 34.37 | 77.67 | 5.66 | 18.44 |
| **Sales Floor Size** | | | | | | |
| Under 3,000 Sq. Ft. | 46,436 | 93,255 | 27.63 | 66.41 | 5.42 | 15.41 |
| 3,000 to 4,999 Sq. Ft. | 52,674 | 108,394 | 31.18 | 74.97 | 5.80 | 18.20 |
| 5,000 to 9,999 Sq. Ft. | 46,320 | 99,505 | 29.14 | 70.75 | 5.30 | 16.98 |
| 10,000 Sq. Ft. or more | 51,234 | 101,227 | 30.55 | 61.74 | 5.56 | 15.90 |
| **Type of Organization** | | | | | | |
| Proprietorship | 46,081 | 95,477 | 27.36 | 66.78 | 6.14 | 16.64 |
| Partnership | 50,365 | 97,579 | 31.26 | 72.62 | 5.93 | 17.98 |
| Corporation | 49,548 | 102,458 | 30.12 | 68.15 | 5.42 | 16.57 |
| **Trade Area Size** | | | | | | |
| S.M.S.A.-Central City | 45,799 | 92,292 | 29.17 | 63.72 | 4.99 | 14.65 |
| S.M.S.A.-Suburban | 47,983 | 100,071 | 28.14 | 58.13 | 5.59 | 16.79 |
| Cities-10,000-50,000 | 49,266 | 98,145 | 28.55 | 61.89 | 5.36 | 14.73 |
| Rural Areas Under 10,000 | 51,138 | 109,511 | 31.55 | 77.94 | 5.83 | 19.60 |

*Excluding Owners, Officers and Store Managers

**Including Owners, Officers and Store Managers

# New Store Data

To determine the feasibility of a new hardware store, four distinct planning phases are required:

—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

**Phase I**

As the ultimate criterion of feasibility for a proposed hardware operation will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new retail hardware store can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's Management Report to estimate sales volumes, gross margins, salaries and other costs of doing business to project Net Profits and Return on Investment for the proposed hardware operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

**Phase II**
**Site Location**

The market area to be served by the proposed hardware operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail hardware store location. These aspects are listed below.

**Shopping Pull** — Businesses in the area which would help draw consumers to the area.

**Parking Facilities** — Adequate parking requires two to two and a half square feet of parking area for every square foot of selling area.

**Walk-In Traffic**
**Traffic Count and Patterns**
**Accessibility**
**Visibility**
**Congestion**
**Shopping Ease** — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

**Ingress and Egress** — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

**Primary Trade Area**

After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundaries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or man-made barriers.

**Size** — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

**Number of Consumers** — A 5,000 square foot store requires 15,000 to 20,000 consuming residents; a 10,000 square foot store requires 30,000 to 35,000 consuming residents.

**Driving Time** — Typically a 5,000 square foot store can draw consumers within a 5 to 10 minutes driving time; a 10,000 square foot store drawing within 10 to 15 minutes driving time.

**Other Retail Stores** — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

**Barriers** — Barriers affecting accessibility to a selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new hardware store within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

**Consumer Analysis**

From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumers' propensity to spend on hardlines.

**Population Growth Rate** — A viable environment for a new hardware store requires that the Primary Trade Area experience a minimum of 5 to 1.0 percent annual increase in population with the preferred rate being 2.0 percent or more.

**Income Levels** — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

**Type of Housing** — Consumers who own their own homes will spend as much as 4 to 5 times more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

**Competitive Analysis**

Although within a given Primary Trade Area, consumer demographic variables may indicate a healthy environment for a new retail hardware store, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines sales represent approximately 65 to 85 percent of the total sales volume for an average hardware store. Primary hardlines include: hardware, tools, electrical, plumbing, lawn and garden, paint and paint sundries. As the primary hardlines represent the substantial majority of sales for a hardware store, an analysis to determine the feasibility of a new store should focus on these lines.

Retail stores which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating that the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying, and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a full line hardware store, the merchandise mix must include hardware, tools, plumbing, electrical, lawn/garden, paint and paint sundries. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Auto Supplies — average to above average.

**Illustration**

| | Hdwe. | Tools | Elec. | Plbg. | Lawn/ Gdn. | Pnt. | Sund- ries | Auto Splys. |
|---|---|---|---|---|---|---|---|---|
| **Site Area** | | | | | | | | |
| Variety Store | 1 | 1 | 2 | 1 | 3 | 2 | 1 | 2 |
| Drug Store | | | 1 | | 1 | | | |
| **Downtown** | | | | | | | | |
| Home Center | 5 | 4 | 5 | 4 | 4 | 5 | 5 | 3 |
| Paint Store | | | | | | 5 | 2 | |
| Auto Supplies | | 1 | 1 | | | | | 5 |
| **East** | | | | | | | | |
| Hardware Store | 4 | 3 | 4 | 2 | 5 | 3 | 3 | 1 |
| K-Mart | 4 | 5 | 3 | 3 | 5 | 5 | 4 | 4 |
| Lumber Outlet | 2 | 1 | 2 | 2 | 1 | 3 | 3 | |
| **South** | | | | | | | | |
| Sears | 4 | 5 | 4 | 4 | 5 | 5 | 4 | 5 |
| Penney | 3 | 4 | 4 | 3 | 4 | 4 | 3 | 4 |
| Sherwin Williams | | | | | 5 | 5 | | |
| Super Drugs | 2 | 1 | 1 | 2 | 3 | 2 | 1 | 2 |
| **Total** | 25 | 25 | 27 | 21 | 36 | 39 | 26 | 26 |
| # Of Competitors | 8 | 9 | 10 | 8 | 10 | 10 | 9 | 8 |

**Phase III**

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities, etc. For those expense items that cannot be determined, NRHA's The Bottom Line will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new store will take three years to reach maximum productivity and efficiency or what is termed "store maturity". Therefore do not be overly optimistic on setting performance goals. Based on 1981 dollars, the average new retail hardware store will achieve sales volumes of only $60 to $70 per square foot in the first year of operation with a second year productivity of $70 to $80 per square foot.

**Phase IV**

Through a combined analysis of all planning phases, the consumer store image is developed.

Owner's Economic Constraints
Customer Identification
Posture of Major Competitors
**will determine**
Size of Facility
Merchandise Mix
Service Level
Price Statement
**will determine**
Store Layout, Design and Decor
**which relays**
Consumer Store Image

# Affiliated Associations

**California Retail Hardware Association**
William R. Maze
122 Ninth St.
San Francisco, CA 94103
(415) 552-0536

**Canadian Retail Hardware Associaiton**
Thomas M. Ross
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Mississauga, Ontario, Canada L5N 2L8
(416) 821-3470

**The Hardware Association of the Carolinas**
Eleanor Brigance
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Charlotte, NC 28204
(704) 332-3141

**Illinois Retail Hardware Association**
John C. Friel
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Mt. Prospect, IL 60056
(312) 392-8700

**Indiana-Kentucky Hardware Association, Inc.**
Richard L. Russell
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Indianapolis, IN 46205
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**Intermountain Association**
R.M. Henderlider
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Boise, ID 83706
(208) 342-7779

**Iowa Retail Hardware Association**
John C. Phillips
520 35th St.
Des Moines, IA 50312
(515) 274-0401

**Michigan Retail Hardware Association**
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**Mid South Hardware Association**
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**Minnesota-Dakotas Retail Hardware Association**
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(612) 929-4691

**Montana Hardware and Implement Association**
Avis Ann Tobin
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Helena, MT 59601
(406) 442-1590

**Mountain States Hardware and Implement Association**
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Lakewood, CO 80215
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**New England Hardware Dealers Association**
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Lakeside Office Park, Door #5
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Wakefield, MA 01880
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**New York State Retail Hardware Association**
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East Syracuse, NY 13057
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**Ohio Hardware Association**
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**Pacific Northwest Hardware and Implement Association**
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**Pacific Southwest Hardware Association**
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(714) 778-2050

**Pennsylvania and Atlantic Seaboard Hardware Association**
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**Southern Association**
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**Southwest Hardware and Implement Association**
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**Hardware Association of the Virginias**
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**Western Retail Implement and Hardware Association**
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**Wisconsin Retail Hardware Association**
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Stevens Point, WI 54481
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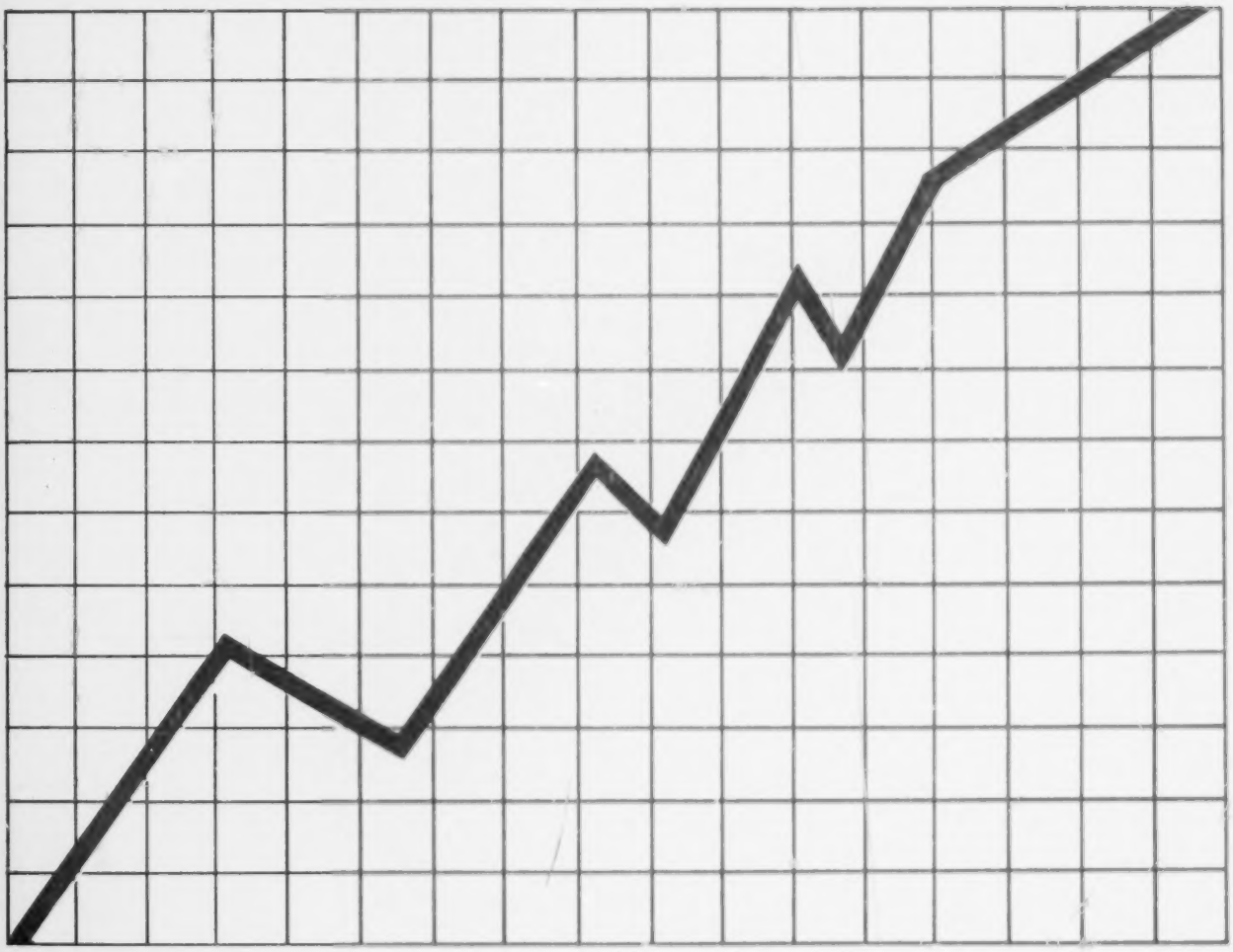
# 1981
# The Bottom Line

## For Retail Home Centers



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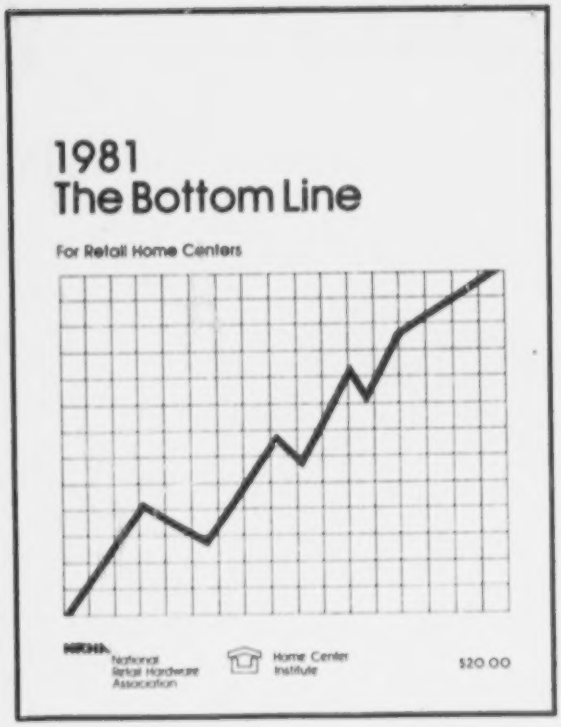


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# Introduction

### The Bottom Line

The 1981 Bottom Line presents financial operating data for the home center industry. A home center, as defined by NRHA's Home Center Institute, is a retail outlet which carries the basic hardlines of hardware, tools, plumbing and heating equipment and electrical supplies as well as lumber and building materials. Home Center operations are geared to generate sales in excess of $1 million at maturity. The Bottom Line is designed to fulfill several objectives: to assess the financial performance of the home center industry in 1980, to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling home center retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the industry.

### Five Major Sections

The Bottom Line is divided into five major sections: Average Operating Results, Strategic Profit Model, Departmental Sales, Compensation Study, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

**Average Operating Results** includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

**The Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

In **Departmental Sales,** information is presented on the percent of stores handling major departments found in retail home center stores. The percent of net sales, sales floor, inventory, and cost of goods sold are outlined both for handling firms only and for an average store profile. Departmental productivity is compared by calculating the gross margin return on inventory investment for each department.

**The Compensation Study** offers information on eight categories of employees. Compensation data on hours worked, salaries and wages paid and the number of persons employed are shown for: department managers, sales personnel, office personnel, check-out/counter help, delivery, warehouse and yard personnel, and other employees.

In **New Store Data,** information on the required planning phases for new store development is presented.

### Type of Store

Many factors influence a home center's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following store types:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Type of Origin
—Trade Area size
—Store Location Part I
—Store Location Part II
—Number of Stores

### Methodology

The Bottom Line is made possible only through the cooperation of the retail home center men and women who provided us with detailed information on their operation. Confidential mail questionnaires were sent to home center operators the end of February. One hundred and seventy-four usable returns were received by June 1,1981 in time for inclusion in this year's report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** For the first time in the history of the Bottom Line the survey forms were then processed by our own data processing department. With the flexibility of working in-house to develop a brand new processing program, the Research Services Department was able to make various changes and improvements in the program. These changes are as follows; if there are any questions concerning them please contact the Research Services Department directly at the National Retail Hardware Association.

### Income Statement Data

1. **Total Deductions.** In the past the percent of total deductions was calculated only for those stores reporting deductions. The figure is now calculated for **all** stores, to take into account those stores that have no deductions. As a result, this year's figures will appear somewhat lower than those reported in the past.

### Balance Sheet Data

2. **Investments.** Previously calculated only for investments as a whole, figures are now reported for stocks and bonds, real estate (not used in the business), and other investments.
3. **Fixed Assets.** On previous questionnaires fixed assets was divided into the two categories of land-buildings and other fixed assets. It is now split into land, buildings, machinery and office equipment, and other fixed assets.
4. **Current Liabilities.** Current liabilities has been broken up into accounts payable, notes payable, accrued expenses payable, federal income taxes payable and other current liabilities.
5. **Long Term Liabilities.** This category has been divided into long term debt, deferred income taxes and other long term liabilities.

### Financial Performance Data

6. **Incoming Freight.** As with Total Deductions, this figure was calculated in the past only for those stores which reported an amount for freight. It is now calculated for **all** stores, to include those which have no freight costs per se.

### High/Low Profit Table

7. **High versus Low Profit Stores Table.** This table is determined by taking the averages of the stores with the lowest and the highest percent net profits. In the past, the sample was split into **thirds,** and the bottom and upper thirds were used. We have found, however, that quartile averages are used more frequently and seem to be considered more meaningful. As a result, our low and high profit figures now represent the lowest and highest **fourths** of the sample.

### All Tables

8. **Sample Sizes.** In previous editions of the Management Report the sample size for each of the tables was the same. If demographic information such as the square footage of the store was not reported it was either obtained from a past questionnaire on file or was estimated. With the flexibility of the new data processing program, however, we were able to calculate a table only for those stores which reported the information on their questionnaire. Hence, the sample size varies somewhat from table to table.

As thanks for their contributive efforts, each home center operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other stores in the same sales volume, sales floor, geographical area, and store location categories, as well as with the averages for the entire sample.

### One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to The Bottom Line are the Management Report for retail hardware stores and the Lumber/Building Materials Financial Report for consumer-oriented outlets. Each segment of the concentrated hardgoods market is provided with its own cost of doing business comparison manual.

### For Assistance

Assistance and aid in interpreting the 1981 Bottom Line may be obtained from your regional Hardware Association.

# Highlights

The average sales per home center is up from $1,948,616 to $2,024,120, even though those dealers who sent in information reported that their sales were down an average of 3.56 percent from last year. Gross margin and stock turns are up over last year's figures, but so are costs. Net profit on sales slid from 4.20 percent in 1979 to 3.05 percent in 1980, and net profit on investment dropped from 20.03 to 14.27 percent.

| Type of Home Center | Net Sales $ | Sales Increase Over 1979 % | Margin % | Net Profit On Sales % | Net Profit On Investment % | Stock Turns # |
|---|---|---|---|---|---|---|
| **All Home Centers** | 2,024,120 | −3.56 | 29.56 | 3.05 | 14.27 | 4.15 |
| Low Profit | 1,871,891 | −11.41 | 27.53 | (1.68) | (9.15) | 3.85 |
| High Profit | 1,993,267 | −1.60 | 34.04 | 8.23 | 27.14 | 3.80 |
| **Sales Volume Size** | | | | | | |
| Under $1,000,000 | 756,328 | −.33 | 33.58 | 2.55 | 8.51 | 2.51 |
| $1,000,000 to $2,999,999 | 1,843,823 | −1.65 | 30.16 | 2.76 | 14.13 | 4.04 |
| $3,000,000 or More | 4,919,539 | −5.40 | 27.78 | 3.50 | 16.23 | 5.06 |
| **Sales Floor Size** | | | | | | |
| Under 10,000 Sq. Ft. | 2,122,086 | −8.71 | 26.86 | 1.91 | 9.60 | 4.57 |
| 10,000 to 19,999 Sq. Ft. | 1,793,373 | +2.58 | 31.32 | 3.82 | 17.76 | 3.88 |
| 20,000 Sq. Ft. or More | 2,555,182 | −3.61 | 31.73 | 3.37 | 14.27 | 4.01 |
| **Type of Origin** | | | | | | |
| Originally Hardware | 1,311,461 | +.65 | 33.90 | 4.51 | 15.85 | 2.99 |
| Originally Lumber/Building Material | 2,819,701 | −.39 | 27.59 | 2.60 | 13.97 | 5.03 |
| Organized As Home Center | 1,512,070 | +.49 | 30.46 | 1.32 | 7.59 | 3.48 |
| **Trade Area Size** | | | | | | |
| S.M.S.A. | 2,592,660 | −3.67 | 30.93 | 3.45 | 16.54 | 4.55 |
| Cities 10,000 to 50,000 | 2,081,551 | −3.90 | 30.75 | 3.37 | 14.27 | 3.73 |
| Rural Areas Under 10,000 | 1,635,897 | −3.03 | 26.99 | 2.61 | 13.31 | 4.37 |
| **Store Location: Part I** | | | | | | |
| Downtown | 2,040,143 | −4.70 | 29.06 | 4.18 | 15.10 | 4.13 |
| Suburban | 2,265,277 | −4.87 | 29.47 | 2.85 | 13.87 | 4.44 |
| Rural | 1,836,290 | +8.59 | 26.18 | 2.81 | 19.52 | 4.78 |
| **Store Location: Part II** | | | | | | |
| Shopping Centers — Neighborhood | 2,332,493 | −6.19 | 27.84 | 1.97 | 10.44 | 3.21 |
| Shopping Centers — Community or Regional | 1,492,571 | +5.71 | 33.42 | 3.13 | 16.57 | 3.84 |
| Free-Standing — No Stores Adjacent | 1,945,641 | −9.05 | 29.83 | 2.74 | 11.00 | 4.29 |
| Free-Standing — Stores Nearby | 2,259,655 | −2.99 | 28.14 | 2.97 | 14.67 | 4.63 |

# Monthly Sales

Industry data indicate that home center retailers have been able to decrease seasonal fluctuations except in the late winter months. Seasonal fluctuations in sales can cause management problems particularly in cash flow. To help avoid the after the holiday slump in sales, home center retailers should develop several promotions which offer good sale prices across diverse merchandise lines. This type of broad scope promotion will provide something of interest to most all consumers and should increase store traffic during the months of January through March.

| | % | | % |
|---|---|---|---|
| January | 6.4 | July | 8.8 |
| February | 6.0 | August | 8.9 |
| March | 7.1 | September | 9.0 |
| April | 9.0 | October | 9.2 |
| May | 9.5 | November | 8.6 |
| June | 9.0 | December | 8.5 |

# Average Operating Results

### Income Statement Data

The Income Statement presents in a single format revenue derived from the sale of merchandise and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

**Net Sales Volume** — The dollar amount of cash sales plus credit sales less total deductions.

**Total Deductions** — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

**Cost of Goods Sold** — Inventory First of the Year plus Purchases plus Freight In minus Purchase Rebates minus Inventory End of the Year equals Cost of Goods Sold.

**Margin** — The difference between Net Sales and the Cost of Goods Sold.

**Salaries — Owners, Officers, Managers** — The compensation including bonuses paid to owners, officers and store managers who work in the business.

**Salaries — Other Employees** — The compensation, wages and bonuses, paid to all other employees.

**Federal and State Payroll Taxes** — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

**Group Insurance** — All premiums paid to insure employees for health and accident protection.

**Benefit Plans** — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

**Heat, Light, Power and Water** — All utility expenses incurred in the operation of the business.

**Repairs to Building** — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

**Rent or Ownership in Real Estate** — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

**Office Supplies and Postage** — The cost of all materials used for the firm's accounting records.

**Advertising** — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

**Donations** — All gifts given from the business operation to charity.

**Telephone and Telegraph** — For expenses incurred in the operation of the business.

**Bad Debts** — Uncollectable debts.

**Delivery (Other than Wages)** — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

**Insurance** — Premiums paid to insure all assets against fire, theft, etc.

**Taxes** — All taxes on stock, fixtures, delivery equipment, etc.

**Credit Card Expense** — Bank charges for processing credit card sales.

**Interest on Borrowed Money** — The amount of interest paid on borrowed money for all types of notes, loans.

**Store and Shop Supplies** — The cost of all supplies used in the operation of the store.

**Legal and Accounting** — The cost incurred for auditing, inventory count, collectors and legal consultation.

**Dues and Subscriptions** — Fees for memberships and subscriptions and expenses for employee training.

**Travel, Buying, Entertainment** — All expenses incurred in business trips and the entertainment of guests.

**Unclassified** — All expenses not classified under other headings.

**Net Operating Profit** — Return on sales before Other Income and Income Taxes when expressed as a percent of Net Sales indicates the percent return on each dollar of sales.

**Other Income** — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental income.

**Net Profit (Before Income Taxes)** — The net return from the operation of the business.

### Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

**Current Assets** — Cash, notes receivable in the current year, accounts receivable (less reserve for doubtful accounts), merchandise inventories and other assets with a defined short-term life of one year, all prepaid expenses.

**Investments** — Assets with a long-term life, such as stocks and bonds or real estate which are not needed to operate the business.

**Fixed Assets** — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land and buildings are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

**Current Liabilities** — All debts which are due within one year — accounts payable, current portion of notes payable and accrued payroll, taxes, insurance, interest, etc.

**Long-Term Liabilities** — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

**Net Worth** — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

## Financial Ratios

The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. The proportions are tested by ratio analysis. Sixteen financial ratios are presented in this Financial Report.

**Profit On Investment**

—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.

—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's home center operators should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

**Active Owner's Return**

—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.

—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

**Current Asset Ratio**

—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".

—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

**Quick Asset Ratio**

—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".

—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

**Total Debt to Tangible Net Worth**

—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.

—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

**Stock Turn Times**

—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (beginning inventory plus year-end inventory divided by two); expressed in "times".

—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the likelihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadequate stocking. Retail home center operators should achieve three turns or more per year.

**Sales to Inventory**

—Computed by dividing Net Sales by Average Inventory; expressed in "times".

—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

**Average Inventory Per Sq. Ft. of Sales Area**

—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.

—A rough measure of merchandising efficiency.

**Net Sales to Accounts Receivable**

—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".

—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

**Net Sales to Total Assets**

—Computed by dividing Net Sales by Total Assets; expressed in "times".

—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

**Net Sales to Net Worth**

—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".

—Measures the extent to which sales are supported by invested capital.

**Net Sales to Working Capital**

—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".

—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

**Sales Per Sq. Ft. — Selling Area**

—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.

—Measures sales productivity.

**Sales Per Sq. Ft. — Total Area**

—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.

—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

**Sales Per Person Employed**

—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.

—Measures the efficiency of personnel in producing sales and is most useful when compared to past performance.

**Sales Per Customer**

—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.

—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

# All Home Centers

| Income Statement Data | All Home Centers | Low Profit Centers | High Profit Centers |
|---|---|---|---|
| **Number of Stores** | 174 | 37 | 44 |
| **Net Sales Volume** | $2,024,120 | $1,801,891 | $1,933,267 |
| Current Year's Sales vs. Previous Year* | - 3.56% | -11.41% | - 1.60% |
| Gross Sales | 102.19% | 102.54% | 101.67% |
| Less: Total Deductions | 2.19 | 2.54 | 1.67 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 70.44 | 72.47 | 65.96 |
| **Margin** | 29.56 | 27.53 | 34.04 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 3.99 | 3.43 | 4.37 |
| Salaries — Other Employees | 10.32 | 10.85 | 10.80 |
| Federal and State Payroll Taxes | .96 | .95 | .90 |
| Group Insurance | .46 | .40 | .34 |
| Benefit Plans | .72 | .43 | .81 |
| **Total Payroll and Other Employee Expense** | 16.45 | 16.06 | 17.22 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .60 | .72 | .59 |
| Repairs to Building | .47 | .63 | .28 |
| Rent or Ownership in Real Estate** | 2.46 | 2.91 | 2.38 |
| **Total Occupancy Expense** | 3.53 | 4.26 | 3.25 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .32 | .30 | .28 |
| Advertising | 1.70 | 1.94 | 1.32 |
| Donations | .05 | .03 | .06 |
| Telephone and Telegraph | .25 | .28 | .18 |
| Bad Debts | .47 | .46 | .52 |
| Credit Card Expense | .07 | .06 | .10 |
| Delivery (Other than Wages) | .63 | .91 | .31 |
| Insurance (Other than Real Estate and Group) | .54 | .60 | .55 |
| Taxes (Other than Real Estate and Payroll) | .41 | .38 | .58 |
| Interest on Borrowed Money (Other than Mortgages) | 1.06 | 1.71 | .85 |
| Depreciation (Other than Real Estate) | .65 | .81 | .61 |
| Store and Shop Supplies | .27 | .34 | .25 |
| Legal and Accounting | .26 | .32 | .19 |
| Dues and Subscriptions | .05 | .05 | .04 |
| Travel, Buying, Entertainment | .16 | .11 | .16 |
| Unclassified | 1.01 | 1.73 | .57 |
| **Total Other Costs of Doing Business** | 7.90 | 10.03 | 6.57 |
| **Total Operating Expense** | 27.88 | 30.35 | 27.04 |
| **Net Operating Profit** | 1.68 | (2.82) | 7.00 |
| Other Income | 1.37 | 1.14 | 1.23 |
| **Net Profit (Before Income Taxes)** | 3.05 | (1.68) | 8.23 |

*As reported to us by Bottom Line contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# All Home Centers

| Balance Sheet Data | All Home Centers | Low Profit Centers | High Profit Centers |
|---|---|---|---|
| **Total Dollar Assets** | $803,277 | $779,473 | $794,307 |
| | % of Total Assets | | |
| **Assets** | | | |
| Cash and Equivalent | 4.61 | 3.61 | 4.52 |
| Notes and Contracts Receivable | 4.13 | 5.25 | 5.59 |
| Accounts Receivable | 20.25 | 19.87 | 19.06 |
| Merchandise Inventory (End of Year) | 42.70 | 41.88 | 43.65 |
| Other Current Assets | 2.95 | 3.65 | 3.32 |
| **Total Current Assets** | 74.64 | 74.26 | 76.14 |
| Stocks & Bonds | 2.61 | 2.25 | 2.58 |
| Real Estate (Not Used in Business) | 1.07 | 1.86 | 1.29 |
| Other Investments | 3.35 | 2.59 | 3.62 |
| **Total Investments** | 7.03 | 6.70 | 7.49 |
| Land (Owned and Used in Business) | 2.28 | 2.90 | 2.56 |
| Buildings (Owned and Used in Business less Depreciation) | 8.38 | 8.70 | 6.61 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 6.12 | 5.53 | 6.26 |
| Other Fixed Assets | 1.55 | 1.91 | .94 |
| **Total Fixed Assets** | 18.33 | 19.04 | 16.37 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities and Net Worth** | | | |
| Accounts Payable | 13.14 | 13.11 | 9.06 |
| Notes Payable | 9.35 | 17.04 | 6.72 |
| Accrued Expenses Payable | 3.84 | 3.31 | 4.88 |
| Federal Income Taxes Payable | .61 | .07 | 1.76 |
| Other Current Liabilities | 2.14 | 1.56 | 1.19 |
| **Total Current Liabilities** | 29.08 | 35.09 | 23.61 |
| Long Term Debt | 13.32 | 15.15 | 2.73 |
| Deferred Income Taxes | .22 | .54 | (.13) |
| Other Long Term Liabilities | 3.43 | 6.49 | .01 |
| **Total Long Term Liabilities** | 16.97 | 22.18 | 2.61 |
| **Total Liabilities** | 46.05 | 57.27 | 26.22 |
| **Net Worth** | 53.95 | 42.73 | 73.78 |
| **Total Liabilities and Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 14.27% | (9.15)% | 27.14% |
| Active Owner's Return | 32.89% | 9.42% | 41.57% |
| Current Asset Ratio | 2.57x | 2.12x | 3.23x |
| Quick Asset Ratio | 1.10x | .92x | 1.38x |
| Total Debt to Tangible Net Worth | 85.35% | 134.05% | 35.51% |
| **Stock Turn Times** | 4.15x | 3.85x | 3.80x |
| Sales to Inventory Ratio | 5.89x | 5.31x | 5.76x |
| Average Inventory per Sq. Ft. Sales Area | $31.43 | $27.87 | $24.44 |
| Net Sales to Accounts Receivable | 12.45x | 11.64x | 12.77x |
| Net Sales to Total Assets | 2.52x | 2.31x | 2.43x |
| Net Sales to Net Worth | 4.67x | 5.41x | 3.30x |
| Net Sales to Net Working Capital | 5.53x | 5.90x | 4.63x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .36% | .28% | .52% |
| Credit Sales — % of Total Gross Sales | 49.10% | 53.96% | 46.55% |
| Consumer Sales — % of Total Gross Sales | 71.97% | 79.03% | 74.30% |
| Inventory — % Stored in Central Warehouse | 24.41% | .00% | .00% |
| Selling Area — Square Feet | 13,191 | 13,443 | 15,732 |
| **Sales Per Square Foot — Selling Area** | $153.45 | $134.04 | $122.89 |
| Total Area — Square Feet | 22,529 | 22,711 | 25,860 |
| **Sales Per Square Foot — Total Area** | $89.85 | $79.34 | $74.76 |
| Sales Per Person Employed | $95,492 | $82,983 | $91,435 |
| Sales Per Customer | $19.73 | $15.25 | $15.23 |

# Sales Volume Size

| Income Statement Data | Sales Under $1,000,000 | $1,000,000 To $2,999,999 | Sales $3,000,000 Or More |
|---|---|---|---|
| **Number of Stores** | 56 | 88 | 30 |
| **Net Sales Volume** | $756,328 | $1,843,823 | $4,919,539 |
| Current Year's Sales vs. Previous Year* | - 33% | - 1.65% | - 5.40% |
| Gross Sales | 102.55% | 102.18% | 102.33% |
| Less: Total Deductions | 2.55 | 2.18 | 2.33 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 66.42 | 69.84 | 72.22 |
| **Margin** | 33.58 | 30.16 | 27.78 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 5.34 | 4.52 | 3.25 |
| Salaries — Other Employees | 10.78 | 10.39 | 10.12 |
| Federal and State Payroll Taxes | 1.24 | .95 | .89 |
| Group Insurance | .47 | .57 | .32 |
| Benefit Plans | .44 | .67 | .84 |
| **Total Payroll and Other Employee Expense** | 18.27 | 17.10 | 15.42 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | 1.03 | .68 | .41 |
| Repairs to Building | .35 | .52 | .41 |
| Rent or Ownership in Real Estate** | 3.34 | 2.63 | 2.04 |
| **Total Occupancy Expense** | 4.72 | 3.83 | 2.86 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .38 | .32 | .32 |
| Advertising | 2.14 | 2.01 | 1.26 |
| Donations | .05 | .04 | .07 |
| Telephone and Telegraph | .28 | .24 | .25 |
| Bad Debts | .29 | .25 | .76 |
| Credit Card Expense | .07 | .10 | .02 |
| Delivery (Other than Wages) | .53 | .57 | .71 |
| Insurance (Other than Real Estate and Group) | .76 | .63 | .41 |
| Taxes (Other than Real Estate and Payroll) | .28 | .51 | .30 |
| Interest on Borrowed Money (Other than Mortgages) | 1.38 | 1.03 | .93 |
| Depreciation (Other than Real Estate) | .69 | .58 | .71 |
| Store and Shop Supplies | .49 | .30 | .15 |
| Legal and Accounting | .28 | .26 | .26 |
| Dues and Subscriptions | .07 | .05 | .05 |
| Travel, Buying, Entertainment | .26 | .14 | .14 |
| Unclassified | 1.33 | .98 | .90 |
| **Total Other Costs of Doing Business** | 9.28 | 8.01 | 7.24 |
| **Total Operating Expense** | 32.27 | 28.94 | 25.52 |
| **Net Operating Profit** | 1.31 | 1.22 | 2.26 |
| Other Income | 1.24 | 1.54 | 1.24 |
| **Net Profit (Before Income Taxes)** | 2.55 | 2.76 | 3.50 |

*As reported to us by Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Sales Volume Size

| Balance Sheet Data | Sales Under $1,000,000 | $1,000,000 To $2,999,999 | Sales $3,000,000 Or More |
|---|---|---|---|
| **Total Dollar Assets** | $399,735 | $651,410 | $2,002,032 |
| | | % of Total Assets | |
| **Assets** | | | |
| Cash and Equivalent | 3.91 | 4.48 | 5.74 |
| Notes and Contracts Receivable | 3.85 | 4.13 | 4.75 |
| Accounts Receivable | 15.43 | 15.37 | 24.76 |
| Merchandise Inventory (End of Year) | 50.80 | 48.67 | 34.64 |
| Other Current Assets | 2.91 | 3.30 | 2.74 |
| **Total Current Assets** | 76.90 | 75.95 | 72.63 |
| Stocks & Bonds | 4.07 | 2.59 | 2.17 |
| Real Estate (Not Used in Business) | .15 | .56 | 1.83 |
| Other Investments | 2.15 | 3.70 | 3.29 |
| **Total Investments** | 6.37 | 6.85 | 7.29 |
| Land (Owned and Used in Business) | 3.17 | 2.01 | 2.22 |
| Buildings (Owned and Used in Business less Depreciation) | 7.31 | 7.31 | 10.43 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 5.55 | 6.63 | 5.09 |
| Other Fixed Assets | .70 | 1.25 | 2.34 |
| **Total Fixed Assets** | 16.73 | 17.20 | 20.08 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities and Net Worth** | | | |
| Accounts Payable | 9.96 | 13.68 | 14.46 |
| Notes Payable | 5.66 | 8.12 | 10.29 |
| Accrued Expenses Payable | 3.98 | 4.68 | 2.82 |
| Federal Income Taxes Payable | .39 | .65 | .79 |
| Other Current Liabilities | .71 | 1.77 | 2.98 |
| **Total Current Liabilities** | 20.70 | 28.90 | 31.34 |
| Long Term Debt | 14.29 | 12.98 | 13.35 |
| Deferred Income Taxes | .00 | .32 | .20 |
| Other Long Term Liabilities | 8.48 | 2.58 | 2.33 |
| **Total Long Term Liabilities** | 22.77 | 15.88 | 15.88 |
| **Total Liabilities** | 43.47 | 44.78 | 47.22 |
| **Net Worth** | 56.53 | 55.22 | 52.78 |
| **Total Liabilities and Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 8.51% | 14.13% | 16.23% |
| Active Owner's Return | 26.38% | 37.30% | 31.00% |
| Current Asset Ratio | 3.71x | 2.63x | 2.34x |
| Quick Asset Ratio | 1.26x | .94x | 1.22x |
| Total Debt to Tangible Net Worth | 76.90% | 81.10% | 90.00% |
| **Stock Turn Times** | 2.51x | 4.04x | 5.06x |
| Sales to Inventory Ratio | 3.77x | 5.78x | 7.00x |
| Average Inventory per Sq. Ft. Sales Area | $21.92 | $28.14 | $50.26 |
| Net Sales to Accounts Receivable | 12.26x | 18.41x | 10.14x |
| Net Sales to Total Assets | 1.89x | 2.83x | 2.43x |
| Net Sales to Net Worth | 3.35x | 5.13x | 4.62x |
| Net Sales to Net Working Capital | 3.37x | 6.02x | 5.93x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .81% | .30% | .36% |
| Credit Sales — % of Total Gross Sales | 36.55% | 38.27% | 62.52% |
| Consumer Sales — % of Total Gross Sales | 84.62% | 74.58% | 42.53% |
| Inventory — % Stored in Central Warehouse | .00% | 48.75% | 25.00% |
| Selling Area — Square Feet | 11,359 | 14,011 | 14,108 |
| **Sales Per Square Foot — Selling Area** | $66.58 | $131.60 | $348.71 |
| Total Area — Square Feet | 17,400 | 23,090 | 31,348 |
| **Sales Per Square Foot — Total Area** | $43.47 | $79.85 | $156.93 |
| Sales Per Person Employed | $61,370 | $89,534 | $120,133 |
| Sales Per Customer | $11.44 | $12.89 | $60.17 |

# Sales Floor Size

| Income Statement Data | Sales Area Under 10,000 Sq. Ft. | 10,000 Sq. Ft. To 19,999 Sq. Ft. | Sales Area 20,000 Sq. Ft. Or More |
|---|---|---|---|
| **Number of Stores** | 69 | 76 | 26 |
| **Net Sales Volume** | $2,122,086 | $1,793,373 | $2,555,182 |
| Current Year's Sales vs. Previous Year* | - 8.71% | + 2.58% | - 3.61% |
| Gross Sales | 101.77% | 102.64% | 102.02% |
| Less: Total Deductions | 1.77 | 2.64 | 2.02 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 73.14 | 68.68 | 68.27 |
| **Margin** | 26.86 | 31.32 | 31.73 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Store Managers | 4.13 | 3.88 | 3.87 |
| Salaries — Other Employees | 9.53 | 10.99 | 11.02 |
| Federal and State Payroll Taxes | .95 | 1.00 | .93 |
| Group Insurance | .55 | .42 | .36 |
| Benefit Plans | .81 | .78 | .39 |
| **Total Payroll and Other Employee Expense** | 15.97 | 17.07 | 16.57 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .47 | .68 | .76 |
| Repairs to Building | .66 | .29 | .39 |
| Rent or Ownership in Real Estate** | 1.86 | 2.69 | 3.49 |
| **Total Occupancy Expense** | 2.99 | 3.66 | 4.64 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .33 | .33 | .28 |
| Advertising | 1.51 | 1.73 | 2.10 |
| Donations | .04 | .05 | .05 |
| Telephone and Telegraph | .28 | .21 | .27 |
| Bad Debts | .47 | .33 | .69 |
| Credit Card Expense | .06 | .06 | .12 |
| Delivery (Other than Wages) | .89 | .42 | .49 |
| Insurance (Other than Real Estate and Group) | .58 | .60 | .35 |
| Taxes (Other than Real Estate and Payroll) | .37 | .45 | .37 |
| Interest on Borrowed Money (Other than Mortgages) | 1.17 | .94 | 1.08 |
| Depreciation (Other than Real Estate) | .67 | .58 | .72 |
| Store and Shop Supplies | .19 | .31 | .38 |
| Legal and Accounting | .28 | .24 | .26 |
| Dues and Subscriptions | .06 | .05 | .05 |
| Travel, Buying, Entertainment | .17 | .13 | .16 |
| Unclassified | .80 | 1.34 | .82 |
| **Total Other Costs of Doing Business** | 7.87 | 7.77 | 8.19 |
| **Total Operating Expense** | 26.83 | 28.50 | 29.40 |
| **Net Operating Profit** | .03 | 2.82 | 2.33 |
| Other Income | 1.88 | 1.00 | 1.04 |
| **Net Profit (Before Income Taxes)** | 1.91 | 3.82 | 3.37 |

*As reported to us by Bottom Line contributors.

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Sales Floor Size

| Balance Sheet Data | Sales Area Under 10,000 Sq. Ft. | 10,000 Sq. Ft. To 19,999 Sq. Ft. | Sales Area 20,000 Sq. Ft. Or More |
|---|---|---|---|
| **Total Dollar Assets** | $838,451 | $706,286 | $999,092 |
| | | % of Total Assets | |
| **Assets** | | | |
| Cash and Equivalent | 5.43 | 3.94 | 4.53 |
| Notes and Contracts Receivable | 3.86 | 3.56 | 5.53 |
| Accounts Receivable | 24.81 | 17.76 | 15.42 |
| Merchandise Inventory (End of Year) | 39.41 | 45.93 | 43.50 |
| Other Current Assets | 2.41 | 3.80 | 1.81 |
| **Total Current Assets** | 75.92 | 74.99 | 70.79 |
| Stocks & Bonds | 2.35 | 3.01 | 2.41 |
| Real Estate (Not Used in Business) | 1.08 | .42 | 2.77 |
| Other Investments | 2.21 | 3.55 | 5.30 |
| **Total Investments** | 5.64 | 6.98 | 10.48 |
| Land (Owned and Used in Business) | 2.35 | 2.26 | 2.06 |
| Buildings (Owned and Used in Business less Depreciation) | 8.34 | 8.00 | 9.33 |
| Machinery and Office Equipment (Owned and Used in Business less Depreciation) | 5.49 | 6.26 | 7.17 |
| Other Fixed Assets | 2.26 | 1.51 | .17 |
| **Total Fixed Assets** | 18.44 | 18.03 | 18.73 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities and Net Worth** | | | |
| Accounts Payable | 14.54 | 12.95 | 11.31 |
| Notes Payable | 11.18 | 6.76 | 10.29 |
| Accrued Expenses Payable | 3.18 | 4.62 | 3.93 |
| Federal Income Taxes Payable | .56 | .82 | .29 |
| Other Current Liabilities | 2.29 | 2.18 | 1.78 |
| **Total Current Liabilities** | 31.75 | 27.33 | 27.60 |
| Long Term Debt | 14.82 | 10.80 | 16.75 |
| Deferred Income Taxes | .33 | .14 | .15 |
| Other Long Term Liabilities | 2.90 | 7.12 | (2.77) |
| **Total Long Term Liabilities** | 18.05 | 18.06 | 14.13 |
| **Total Liabilities** | 49.80 | 45.39 | 41.73 |
| **Net Worth** | 50.20 | 54.61 | 58.27 |
| **Total Liabilities and Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 9.60% | 17.76% | 14.27% |
| Active Owner's Return | 30.41% | 35.77% | 31.42% |
| Current Asset Ratio | 2.39x | 2.75x | 2.57x |
| Quick Asset Ratio | 1.15x | 1.06x | .99x |
| Total Debt to Tangible Net Worth | 99.15% | 83.07% | 74.12% |
| **Stock Turn Times** | 4.57x | 3.88x | 4.01x |
| Sales to Inventory Ratio | 6.24x | 5.65x | 5.87x |
| Average Inventory per Sq. Ft. Sales Area | $52.65 | $28.03 | $20.38 |
| Net Sales to Accounts Receivable | 10.20x | 14.30x | 16.92x |
| Net Sales to Total Assets | 2.53x | 2.54x | 2.54x |
| Net Sales to Net Worth | 5.04x | 4.65x | 4.40x |
| Net Sales to Net Working Capital | 5.73x | 5.33x | 5.89x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .21% | .38% | .61% |
| Credit Sales — % of Total Gross Sales | 52.69% | 47.36% | 43.42% |
| Consumer Sales — % of Total Gross Sales | 65.43% | 74.49% | 78.43% |
| Inventory — % Stored in Central Warehouse | 50.00% | 28.00% | 7.31% |
| Selling Area — Square Feet | 8,398 | 13,106 | 26,154 |
| **Sales Per Square Foot — Selling Area** | $252.69 | $136.84 | $104.91 |
| Total Area — Square Feet | 17,685 | 22,476 | 38,710 |
| **Sales Per Square Foot — Total Area** | $119.99 | $79.79 | $67.62 |
| Sales Per Person Employed | $111,171 | $85,687 | $90,752 |
| Sales Per Customer | $42.16 | $19.33 | $15.20 |

# Type of Origin

| Income Statement Data | Originally Hardware Store | Originally Lumber Building Materials | Organized As Home Center |
|---|---|---|---|
| **Number of Stores** | 72 | 80 | 13 |
| **Net Sales Volume** | $1,311,461 | $2,819,701 | $1,512,070 |
| Current Year's Sales vs. Previous Year* | + .65% | - 5.39% | + 7.49% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 66.10 | 72.41 | 69.54 |
| **Margin** | 33.90 | 27.59 | 30.46 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 5.14 | 3.55 | 3.02 |
| Salaries — Other Employees | 10.97 | 9.96 | 11.36 |
| Federal and State Payroll Taxes | .94 | .95 | 1.13 |
| Group Insurance | .36 | .50 | .60 |
| Benefit Plans | .44 | .86 | .46 |
| **Total Payroll and Other Employee Expense** | 17.85 | 15.82 | 16.57 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .92 | .46 | .74 |
| Repairs to Building | .34 | .55 | .33 |
| Rent or Ownership in Real Estate** | 3.05 | 2.16 | 3.56 |
| **Total Occupancy Expense** | 4.31 | 3.17 | 4.63 |
| **Other Costs of Doing Business** | | | |
| Advertising | 2.07 | 1.52 | 1.94 |
| Depreciation (Other than Real Estate) | .68 | .60 | .79 |
| Insurance (Other than Real Estate or Group) | .62 | .48 | .68 |
| Taxes (Other than Real Estate or Payroll) | .48 | .38 | .55 |
| All Other Expenses | 4.58 | 4.50 | 4.56 |
| **Total Other Costs of Doing Business** | 8.43 | 7.48 | 8.52 |
| **Total Operating Expense** | 30.59 | 26.47 | 29.72 |
| **Net Operating Profit** | 3.31 | 1.12 | .74 |
| Other Income | 1.20 | 1.48 | .58 |
| **Net Profit (Before Income Taxes)** | 4.51 | 2.60 | 1.32 |
| **Financial Performance** | | | |
| **Profit on Investment** | 15.85% | 13.97% | 7.59% |
| Active Owner's Return | 33.89% | 33.06% | 24.91% |
| Current Asset Ratio | 3.29x | 2.34x | 2.17x |
| Quick Asset Ratio | 1.09x | 1.13x | .74x |
| Total Debt to Tangible Net Worth | 53.08% | 101.29% | 118.94% |
| **Stock Turn Times** | 2.99x | 5.03x | 3.48x |
| Sales to Inventory Ratio | 4.53x | 6.95x | 5.01x |
| Average Inventory per Sq. Ft. Sales Area | $21.24 | $45.33 | $25.51 |
| Net Sales to Accounts Receivable | 21.95x | 10.46x | 17.49x |
| Net Sales to Total Assets | 2.29x | 2.67x | 2.62x |
| Net Sales to Net Worth | 3.51x | 5.38x | 5.74x |
| Net Sales to Net Working Capital | 4.28x | 6.38x | 6.38x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .82% | .19% | .37% |
| Credit Sales — % of Total Gross Sales | 33.44% | 56.36% | 41.48% |
| Consumer Sales — % of Total Gross Sales | 87.67% | 56.18% | 75.92% |
| Inventory — % Stored in Central Warehouse | .00% | 57.86% | 5.00% |
| Selling Area — Square Feet | 15,350 | 11,469 | 14,838 |
| **Sales Per Square Foot — Selling Area** | $85.44 | $245.85 | $101.91 |
| Total Area — Square Feet | 22,049 | 24,546 | 19,842 |
| **Sales Per Square Foot — Total Area** | $59.48 | $114.87 | $76.21 |
| Sales Per Person Employed | $67,569 | $113,089 | $80,507 |
| Sales Per Customer | $10.08 | $49.11 | $6.59 |

*As reported to us by Bottom Line contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Trade Area Size

| Income Statement Data | S. M. S. A. | Cities 10,000 to 50,000 | Rural Areas Under 10,000 |
|---|---|---|---|
| **Number of Stores** | 39 | 66 | 66 |
| **Net Sales Volume** | $2,592,660 | $2,081,551 | $1,635,897 |
| Current Year's Sales vs. Previous Year* | - 3.67% | - 3.90% | - 3.03% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 69.07 | 69.25 | 73.01 |
| **Margin** | 30.93 | 30.75 | 26.99 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 3.70 | 4.19 | 4.03 |
| Salaries — Other Employees | 11.29 | 10.46 | 9.14 |
| Federal and State Payroll Taxes | 1.01 | .95 | .93 |
| Group Insurance | .42 | .41 | .56 |
| Benefit Plans | .84 | .59 | .75 |
| **Total Payroll and Other Employee Expense** | 17.26 | 16.60 | 15.41 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .60 | .63 | .59 |
| Repairs to Building | .47 | .35 | .59 |
| Rent or Ownership in Real Estate** | 2.36 | 3.01 | 2.02 |
| **Total Occupancy Expense** | 3.43 | 3.99 | 3.20 |
| **Other Costs of Doing Business** | | | |
| Advertising | 1.79 | 1.72 | 1.60 |
| Depreciation (Other than Real Estate) | .75 | .66 | .51 |
| Insurance (Other than Real Estate or Group) | .45 | .50 | .64 |
| Taxes (Other than Real Estate or Payroll) | .40 | .42 | .39 |
| All Other Expenses | 4.68 | 4.80 | 4.29 |
| **Total Other Costs of Doing Business** | 8.07 | 8.10 | 7.43 |
| **Total Operating Expense** | 28.76 | 28.69 | 26.04 |
| **Net Operating Profit** | 2.17 | 2.06 | .95 |
| Other Income | 1.28 | 1.31 | 1.66 |
| **Net Profit (Before Income Taxes)** | 3.45 | 3.37 | 2.61 |
| **Financial Performance** | | | |
| **Profit on Investment** | 16.54% | 14.27% | 13.31% |
| Active Owner's Return | 34.28% | 32.00% | 33.93% |
| Current Asset Ratio | 2.38x | 2.56x | 2.90x |
| Quick Asset Ratio | 1.14x | 1.03x | 1.20x |
| Total Debt to Tangible Net Worth | 89.75% | 80.61% | 86.39% |
| **Stock Turn Times** | 4.55x | 3.73x | 4.37x |
| Sales to Inventory Ratio | 6.57x | 5.39x | 5.99x |
| Average Inventory per Sq. Ft. Sales Area | $31.94 | $28.75 | $36.35 |
| Net Sales to Accounts Receivable | 11.90x | 12.03x | 13.75x |
| Net Sales to Total Assets | 2.56x | 2.35x | 2.74x |
| Net Sales to Net Worth | 4.79x | 4.24x | 5.11x |
| Net Sales to Net Working Capital | 5.82x | 5.30x | 5.41x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .42% | .11% | .63% |
| Credit Sales — % of Total Gross Sales | 50.20% | 50.49% | 45.66% |
| Consumer Sales — % of Total Gross Sales | 68.37% | 74.87% | 71.04% |
| Inventory — % Stored in Central Warehouse | 5.00% | 4.17% | 42.22% |
| Selling Area — Square Feet | 13,428 | 15,772 | 10,459 |
| **Sales Per Square Foot — Selling Area** | $193.08 | $131.98 | $156.41 |
| Total Area — Square Feet | 22,041 | 27,206 | 19,203 |
| **Sales Per Square Foot — Total Area** | $117.63 | $76.51 | $85.19 |
| Sales Per Person Employed | $95,503 | $89,460 | $104,115 |
| Sales Per Customer | $39.01 | $15.18 | $27.70 |

*As reported to us by Bottom Line contributors.
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# Store Location: Part I

| Income Statement Data | Downtown | Suburban | Rural |
|---|---|---|---|
| **Number of Stores** | 33 | 102 | 14 |
| **Net Sales Volume** | $2,040,143 | $2,265,277 | $1,836,290 |
| Current Year's Sales vs. Previous Year* | - 4.70% | - 4.87% | + 8.59% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 70.94 | 70.53 | 73.82 |
| **Margin** | 29.06 | 29.47 | 26.18 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 3.51 | 4.11 | 2.94 |
| Salaries — Other Employees | 9.41 | 10.54 | 8.90 |
| Federal and State Payroll Taxes | .93 | .95 | .89 |
| Group Insurance | .37 | .50 | .31 |
| Benefit Plans | .95 | .69 | .58 |
| **Total Payroll and Other Employee Expense** | 15.17 | 16.79 | 13.62 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .46 | .57 | .63 |
| Repairs to Building | .32 | .55 | .30 |
| Rent or Ownership in Real Estate** | 1.88 | 2.48 | 2.57 |
| **Total Occupancy Expense** | 2.66 | 3.60 | 3.50 |
| **Other Costs of Doing Business** | | | |
| Advertising | 1.57 | 1.65 | 1.20 |
| Depreciation (Other than Real Estate) | .78 | .62 | .47 |
| Insurance (Other than Real Estate or Group) | .54 | .51 | .74 |
| Taxes (Other than Real Estate or Payroll) | .42 | .42 | .31 |
| All Other Expenses | 5.11 | 4.43 | 4.63 |
| **Total Other Costs of Doing Business** | 8.42 | 7.63 | 7.35 |
| **Total Operating Expense** | 26.25 | 28.02 | 24.47 |
| **Net Operating Profit** | 2.81 | 1.45 | 1.71 |
| Other Income | 1.37 | 1.40 | 1.10 |
| **Net Profit (Before Income Taxes)** | 4.18 | 2.85 | 2.81 |
| **Financial Performance** | | | |
| **Profit on Investment** | 15.10% | 13.87% | 19.52% |
| Active Owner's Return | 27.76% | 33.84% | 39.92% |
| Current Asset Ratio | 2.95x | 2.47x | 2.05x |
| Quick Asset Ratio | 1.49x | 1.07x | .81x |
| Total Debt to Tangible Net Worth | 75.99% | 79.59% | 135.90% |
| **Stock Turn Times** | 4.13x | 4.44x | 4.78x |
| Sales to Inventory Ratio | 5.83x | 6.29x | 6.48x |
| Average Inventory per Sq. Ft. Sales Area | $32.39 | $32.63 | $35.97 |
| Net Sales to Accounts Receivable | 7.98x | 13.69x | 11.86x |
| Net Sales to Total Assets | 2.05x | 2.70x | 2.95x |
| Net Sales to Net Worth | 3.61x | 4.86x | 6.95x |
| Net Sales to Net Working Capital | 4.18x | 6.13x | 7.36x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .39% | .24% | .73% |
| Credit Sales — % of Total Gross Sales | 60.55% | 48.94% | 52.66% |
| Consumer Sales — % of Total Gross Sales | 66.86% | 72.07% | 64.43% |
| Inventory — % Stored in Central Warehouse | 41.67% | 1.00% | 70.00% |
| Selling Area — Square Feet | 11,957 | 14,006 | 10,829 |
| **Sales Per Square Foot — Selling Area** | $170.62 | $161.74 | $169.57 |
| Total Area — Square Feet | 20,047 | 25,202 | 16,051 |
| **Sales Per Square Foot — Total Area** | $101.77 | $89.88 | $114.40 |
| Sales Per Person Employed | $106,295 | $95,737 | $105,361 |
| Sales Per Customer | $36.30 | $17.99 | $42.92 |

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# Store Location: Part II

| Income Statement Data | Shopping Centers: Neighborhood | Shopping Centers: Community Or Regional | Free-Standing: No Stores Adjacent | Free-Standing: Stores Nearby |
|---|---|---|---|---|
| **Number of Stores** | 12 | 17 | 43 | 79 |
| **Net Sales Volume** | $2,332,493 | $1,492,571 | $1,945,641 | $2,259,655 |
| Current Year's Sales vs. Previous Year* | -6.19% | +5.71% | -9.05% | -2.99% |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 72.16 | 66.58 | 70.17 | 71.86 |
| **Margin** | 27.84 | 33.42 | 29.83 | 28.14 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Managers | 2.71 | 4.68 | 3.84 | 4.17 |
| Salaries — Other Employees | 9.95 | 11.03 | 10.44 | 9.67 |
| Federal and State Payroll Taxes | .96 | .98 | 1.06 | .90 |
| Group Insurance | .44 | .46 | .45 | .50 |
| Benefit Plans | .24 | 1.15 | .77 | .67 |
| **Total Payroll and Other Employee Expense** | 14.30 | 18.30 | 16.56 | 15.91 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | .43 | 1.02 | .63 | .53 |
| Repairs to Building | .38 | .32 | .37 | .60 |
| Rent or Ownership in Real Estate** | 2.88 | 3.84 | 2.57 | 2.16 |
| **Total Occupancy Expense** | 3.69 | 5.18 | 3.57 | 3.29 |
| **Other Costs of Doing Business** | | | | |
| Advertising | 2.10 | 1.89 | 1.54 | 1.58 |
| Depreciation (Other than Real Estate) | .75 | .46 | .76 | .62 |
| Insurance (Other than Real Estate or Group) | .48 | .45 | .76 | .45 |
| Taxes (Other than Real Estate or Payroll) | .42 | .26 | .58 | .36 |
| All Other Expenses | 5.49 | 4.37 | 4.89 | 4.35 |
| **Total Other Costs of Doing Business** | 9.24 | 7.43 | 8.53 | 7.36 |
| **Total Operating Expense** | 27.23 | 30.91 | 28.66 | 26.56 |
| **Net Operating Profit** | .61 | 2.51 | 1.17 | 1.58 |
| Other Income | 1.36 | .62 | 1.57 | 1.39 |
| **Net Profit (Before Income Taxes)** | 1.97 | 3.13 | 2.74 | 2.97 |
| **Financial Performance** | | | | |
| **Profit on Investment** | 10.44% | 16.57% | 11.00% | 14.67% |
| Active Owner's Return | 24.80% | 41.39% | 26.42% | 35.30% |
| Current Asset Ratio | 2.15x | 2.45x | 2.63x | 2.53x |
| Quick Asset Ratio | .88x | .72x | 1.18x | 1.14x |
| Total Debt to Tangible Net Worth | 165.87% | 72.91% | 74.09% | 80.28% |
| **Stock Turn Times** | 3.21x | 3.84x | 4.29x | 4.63x |
| Sales to Inventory Ratio | 4.44x | 5.76x | 6.11x | 6.45x |
| Average Inventory per Sq. Ft. Sales Area | $39.98 | $18.52 | $27.64 | $38.31 |
| Net Sales to Accounts Receivable | 8.79x | 26.51x | 10.79x | 12.70x |
| Net Sales to Total Assets | 1.99x | 3.07x | 2.31x | 2.75x |
| Net Sales to Net Worth | 5.29x | 5.30x | 4.02x | 4.95x |
| Net Sales to Net Working Capital | 5.08x | 7.02x | 5.37x | 5.89x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | 10% | .49% | .25% | .38% |
| Credit Sales — % of Total Gross Sales | 60.43% | 35.47% | 53.13% | 51.01% |
| Consumer Sales — % of Total Gross Sales | 89.33% | 87.41% | 68.08% | 68.84% |
| Inventory — % Stored in Central Warehouse | 12.50% | .00% | .00% | 39.00% |
| Selling Area — Square Feet | 15,792 | 16,756 | 12,982 | 12,239 |
| **Sales Per Square Foot — Selling Area** | $147.70 | $89.08 | $149.87 | $184.63 |
| Total Area — Square Feet | 26,850 | 24,038 | 24,147 | 19,752 |
| **Sales Per Square Foot — Total Area** | $86.87 | $62.09 | $80.57 | $114.40 |
| Sales Per Person Employed | $94,848 | $68,393 | $92,568 | $109,274 |
| Sales Per Customer | $28.25 | $7.94 | $31.00 | $18.36 |

*As reported to us by Bottom Line contributors

**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Number of Stores

| Income Statement Data | Single Store Business | Multiple Store Business |
|---|---|---|
| **Number of Stores** | 130 | 44 |
| **Net Sales Volume** | $2,109,362 | $1,772,270 |
| Current Year's Sales vs. Previous Year* | - 4.08% | - .32% |
| Net Sales | 100.00% | 100.00% |
| Cost of Goods Sold | 70.19 | 70.23 |
| **Margin** | 29.81 | 29.77 |
| **Payroll and Other Employee Expense** | | |
| Salaries — Owners, Officers, Managers | 4.04 | 3.57 |
| Salaries — Other Employees | 10.45 | 10.13 |
| Federal and State Payroll Taxes | .97 | .91 |
| Group Insurance | .40 | .53 |
| Benefit Plans | .74 | .51 |
| **Total Payroll and Other Employee Expense** | 16.60 | 15.65 |
| **Occupancy Expense** | | |
| Heat, Light, Power, Water | .58 | .74 |
| Repairs to Building | .39 | .59 |
| Rent or Ownership in Real Estate** | 2.39 | 3.15 |
| **Total Occupancy Expense** | 3.36 | 4.48 |
| **Other Costs of Doing Business** | | |
| Advertising | 1.63 | 1.88 |
| Depreciation (Other than Real Estate) | .68 | .57 |
| Insurance (Other than Real Estate or Group) | .54 | .63 |
| Taxes (Other than Real Estate or Payroll) | .37 | .53 |
| All Other Expenses | 4.62 | 4.99 |
| **Total Other Costs of Doing Business** | 7.84 | 8.60 |
| **Total Operating Expense** | 27.80 | 28.73 |
| **Net Operating Profit** | 2.01 | 1.04 |
| Other Income | 1.22 | 1.64 |
| **Net Profit (Before Income Taxes)** | 3.23 | 2.68 |
| **Financial Performance** | | |
| **Profit on Investment** | 13.96% | 14.16% |
| Active Owner's Return | 31.43% | 41.38% |
| Current Asset Ratio | 2.53x | 2.82x |
| Quick Asset Ratio | 1.10x | 1.05x |
| Total Debt to Tangible Net Worth | 82.04% | 105.11% |
| **Stock Turn Times** | 4.01x | 4.56x |
| Sales to Inventory Ratio | 5.71x | 6.43x |
| Average Inventory per Sq. Ft. Sales Area | $28.46 | $144.98 |
| Net Sales to Accounts Receivable | 11.62x | 24.29x |
| Net Sales to Total Assets | 2.38x | 3.15x |
| Net Sales to Net Worth | 4.32x | 6.70x |
| Net Sales to Net Working Capital | 5.28x | 6.55x |
| **Other Operating Data** | | |
| Incoming Freight — % of Purchases | .31% | .67% |
| Credit Sales — % of Total Gross Sales | 50.90% | 44.34% |
| Consumer Sales — % of Total Gross Sales | 71.68% | 80.34% |
| Inventory — % Stored in Central Warehouse | 12.50% | 39.00% |
| Selling Area — Square Feet | 13,016 | 13,693 |
| **Sales Per Square Foot — Selling Area** | $162.06 | $143.30 |
| Total Area — Square Feet | 21,810 | 24,454 |
| **Sales Per Square Foot — Total Area** | $96.72 | $78.59 |
| Sales Per Person Employed | $94,610 | $96,656 |
| Sales Per Customer | $19.14 | $24.45 |

*As reported to us by Bottom Line contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Strategic Profit Model

**Strategic Profit Model**
The Strategic Profit Model can be an excellent management tool for home center retailers. The Model combines the principal elements of a firm's operating statment and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

**Profit Margin**
**Sales** — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

**Cost of Goods Sold** — Improve Gross Margin through variable pricing, efficient buying, etc.

**Expenses** — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc., however, carefully review each item of expense for areas of cost savings.

**Other Income** — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

**Asset Turnover**
**Inventory** — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

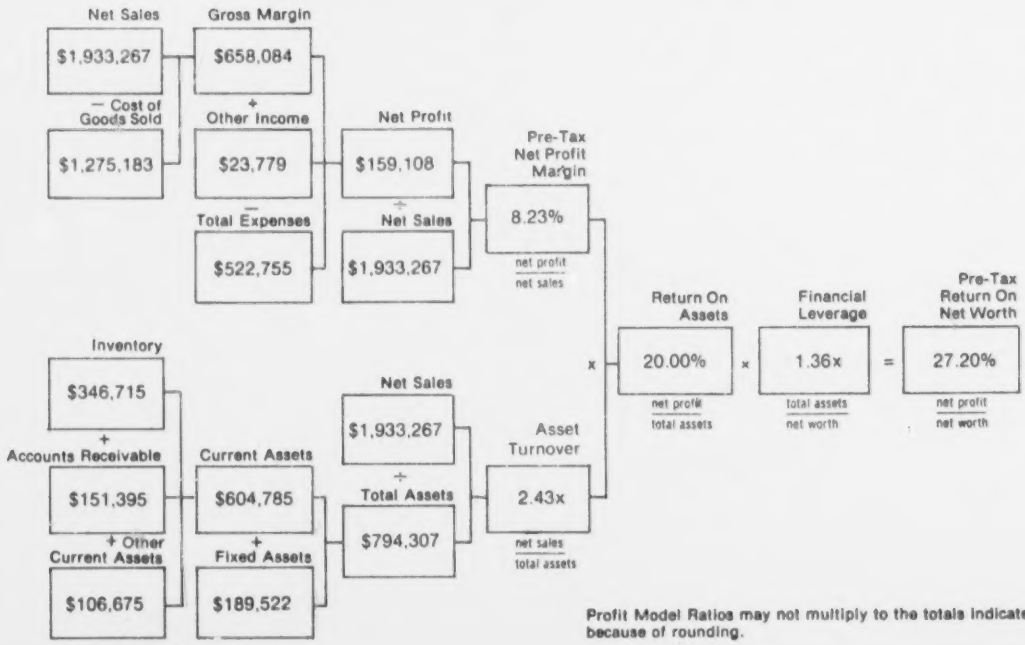
**Accounts Receivable** — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

**Fixed Assets** — Divide Net Sales by Fixed Assets; a substantially lower than industry average ratio indicates excessive investments resulting in idle capacity.

**Leverage**
The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Stores category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

# High-Profit Home Centers




Profit Model Ratios may not multiply to the totals indicated because of rounding.

# Departmental Sales

Many Bottom Line contributors provided detailed information on sales, margins, inventory, cost of goods sold and space occupied by major departments found in U.S. home centers. Almost half of the sample is made up of home centers with lumber and building material origins; the other half of the sample is comprised of centers with hardware origins and those organized as home centers. Although results may be somewhat biased toward lumber and building materials, the section should give an excellent indication of operating results obtained in various departments found in U.S. home centers.

### Departmental Contributions

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that did not carry a certain department were not included in the computation of the average data for that department.

As an example to help understand the meaning of the **Handling Firms Only** data, suppose the Lawn and Garden Department in the Financial Report shows that 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are **only** for the 90.0% of stores who carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the averages of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a home center handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of a home center that does not carry all the major departments? How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percents for Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

An example, a home center carries only four departments — Hardware, Hand and Power Tools, Paint and Sundries and Lumber/Building Materials. Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

| | |
|---|---|
| Hardware | 15.0% |
| Hand and Power Tools | 10.0% |
| Paint and Sundries | 20.0% |
| Lumber/Building Materials | 50.0% |

The total of these percents equals 95.0%. Now divide the total (95.0%) into each of the individual department's percent:

| | | |
|---|---|---|
| Hardware | 15.0 / 95.0 | = 15.8% |
| Hand and Power Tools | 10.0 / 95.0 | = 10.5% |
| Paint and Sundries | 20.0 / 95.0 | = 21.1% |
| Lumber/Building Materials | 50.0 / 95.0 | = 52.6% |

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand and Power Tools, Paint and Sundries, and Lumber/Building Materials. This same procedure can be followed to determine the **Average Store Profile** for the percent of sales floor space, inventory and cost of goods sold.

### Productivity

There are a number of ways in which to evaluate departmental performance including margin, turnover, sales productivity and margin contribution. The table presented on the following page examines these departmental evaluation criteria.

The first evaluative measure is departmental gross margin.

On the basis of margin alone, the following departments would be considered high performing departments: paint and paint sundries, hardware, hand and power tools and electrical supplies. Margin evaluations alone would indicate major appliances and home entertainment, lumber and building materials to be below average performance.

An additional measure is the sales to inventory ratio. On the basis of this ratio alone, the paint and paint sundries and lumber departments highly exceed the other department averages.

An excellent way for home center operators to evaluate departmental performance is through the concept of gross margin return on inventory investment or GMROI. GMROI considers both margin and turnover. GMROI is computed by taking margin percentage times the sales to inventory ratio. Below, GMROI is expressed as an index. Lawn and Garden's GMROI, for example, is 1.82 which means $1.82 in margin is returned for each $1.00 invested in Lawn and Garden inventory. GMROI of 1.82 is computed by taking margin (31.9%) times the sales to inventory ratio (5.7x), (31.9% x 5.7x = 1.82). Resultant GMROI figures give home center operators ways to measure departmental performance across diverse merchandise lines. Traditional high margin, low turnover departments may be compared with traditional low margin, high turnover departments.

An additional evaluative measure shown on the next page is sales per square foot of sales area. Individual home center operators may utilize other evaulations such as profit on sales or return on investment by department. Nearly all departmental evaluation methods rely on some type of inventory control system enabling operators to measure sales and purchases at least at the departmental level.

# Departmental Contribution

| Department | Handling Firms Only: % Handling | % of Net Sales | % of Sales Floor | % of Inventory | % of Cost of Goods Sold | $ Sales Per Sq. Ft. Sales Area | Average Store Profile: % of Net Sales | % of Sales Floor | % of Inventory | % of Cost of Goods Sold |
|---|---|---|---|---|---|---|---|---|---|---|
| Hardware | 100.0 | 9.0 | 14.4 | 11.4 | 7.9 | 127.48 | 8.7 | 14.4 | 11.3 | 8.0 |
| Hand & Power Tools | 100.0 | 5.1 | 7.0 | 7.0 | 4.4 | 130.89 | 4.9 | 6.5 | 6.5 | 4.0 |
| Plumbing, Heating and Cooling | 100.0 | 7.3 | 9.5 | 6.7 | 4.6 | 151.45 | 6.9 | 9.2 | 6.3 | 4.3 |
| Electrical Supplies | 100.0 | 5.3 | 7.8 | 4.7 | 3.6 | 137.89 | 5.0 | 7.6 | 4.3 | 3.3 |
| Paint & Paint Sundries | 98.7 | 8.3 | 10.4 | 8.5 | 7.3 | 145.05 | 8.2 | 10.3 | 8.3 | 7.1 |
| Lumber | 100.0 | 28.2 | 9.7 | 26.1 | 32.6 | 363.04 | 22.5 | 6.7 | 23.1 | 28.5 |
| Building Materials | 100.0 | 29.1 | 25.9 | 30.3 | 38.9 | 211.08 | 24.8 | 16.9 | 23.9 | 30.0 |
| Lawn & Garden | 85.7 | 7.6 | 10.8 | 8.2 | 7.1 | 84.03 | 6.5 | 8.8 | 6.8 | 6.2 |
| Housewares | 52.0 | 6.3 | 14.4 | 7.0 | 6.9 | 68.52 | 3.2 | 7.2 | 2.9 | 2.4 |
| Automotive Supplies | 35.1 | 3.8 | 5.3 | 3.5 | 4.3 | 72.19 | 1.3 | 2.2 | 1.0 | 1.1 |
| Major Appliances & Home Entertainment | 22.1 | 4.9 | 10.2 | 2.9 | 5.6 | 108.50 | 1.1 | 1.9 | .2 | .6 |
| Sporting Goods & Outdoor Equipment | 35.1 | 6.7 | 7.7 | 4.3 | 4.7 | 83.24 | 2.4 | 2.7 | 1.1 | .9 |
| Other Departments | 55.8 | 8.4 | 8.9 | 8.7 | 7.6 | 96.81 | 4.5 | 5.6 | 4.3 | 3.6 |
| | | | | | | | 100.0 | 100.0 | 100.0 | 100.0 |

# Productivity

| | Typical Store Profile: Gross Margin % | Sales To Inventory Ratio | GMROI |
|---|---|---|---|
| Hardware | 34.1 | 5.5x | 1.88 |
| Hand & Power Tools | 34.5 | 5.0x | 1.73 |
| Plumbing, Heating & Cooling | 33.5 | 5.6x | 1.88 |
| Electrical Supplies | 34.0 | 5.5x | 1.87 |
| Paint & Paint Sundries | 34.4 | 6.0x | 2.06 |
| Lumber | 23.3 | 6.6x | 1.54 |
| Building Materials | 25.1 | 5.5x | 1.38 |
| Lawn & Garden | 31.9 | 5.7x | 1.82 |
| Housewares | 28.6 | 5.7x | 1.63 |
| Automotive Supplies | 33.0 | 5.4x | 1.78 |
| Major Appliances & Home Entertainment | 18.1 | 3.2x | .58 |
| Sporting Goods & Outdoor Equipment | 32.6 | 4.5x | 1.47 |
| Other Departments | 27.4 | 4.9x | 1.34 |

# Compensation Study

Compensation data has been gathered for eight types of retail hardgood industry employees:

**Department Managers**
Employees who have specific responsibility for a given department or departments like the housewares, paint, or electrical supply departments.

**Sales Personnel**
Employees who spend the majority of their time on the sales floor, ordering and stocking as well as selling.

**Office Personnel**
Those who spend the majority of their time in the office — accountants, bookkeepers, billing clerks, data processing personnel, etc.

**Check-Out/Counter Help**
Employees who spend most of their time at the cash register or information counter.

**Delivery Personnel**
Employees who spend the majority of their time delivering goods and orders — also includes receiving help.

**Warehouse Personnel**
Employees who spend the majority of their time in the store or cental warehouse. Includes fork-lift operators, truckloaders, order processors, foremen and other warehouse personnel.

**Yard Personnel**
Employees who spend the majority of their time in the lumber yard. Includes material handlers, fork-lift operators, yard foremen and estimators.

**Other Personnel**
Any other employee not covered in the above categories, including shop-labor, repairmen, watchmen and janitorial personnel.

Even though wage rates differ substantially by locality, the results contained in this section provide many guidelines for comparison. The Compensation Study presents for each employee classification data related to:
—Average number per $100,000 sales
—% Full-Time
—Annual Salary
—Wage per Hour
—Annual Man Hours Worked

**Average Number Per Sales**
—Computed by dividing the number of employees in each category by Net Sales stated in thousands of dollars.
—Expressed as a number.
—Shows the number of employees for each category per $100,000 in sales.
—For example, sales equal $2 million. First divide $2 million by $100,000 = 20.0. Next, divide each category by 20. For example, 8 full-time sales = 8 ÷ 20 = 0.40 per $100,000.

**% Full Time**
—Computed by dividing the number of Full-Time Employees in each category by all employees in that category.
—Shows the percentage of employees in each category who are full-time (30 or more hours per week).

**Annual Salary**
—All wages and bonuses paid.

**Wage Per Hour**
—Computed by dividing the annual salary including bonuses by the total man hours worked.

**Annual Man Hours Worked**
—Regular and overtime hours less vacation time. Useful when compared to past performance.

Additionally the Compensation Study presents data for three important measures of productivity for all employees and sales personnel:
—Sales per Year
—Sales per Man Hour
—Sales per $ Payroll

**Sales Per Year**
—Computed by dividing the total annual Net Sales by the total number of employees or the total number of sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.

**Sales Per Man Hour**
—Computed by dividing the total annual Net Sales by the total man hours worked for all employees or by the total man hours worked for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—Useful when compared with past performance results. The ratio gives an indication of sales produced per hours worked.

**Sales Per $ Payroll**
—Computed by dividing the total annual Net Sales by the total annual payroll for all employees or by the total annual payroll for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—The ratio measures sales generated per dollar of payroll expense. Again useful when compared to past performance.

Additional data gathered on Owners, Officers and Store Managers is available on a confidential basis from NRHA or your regional Hardware Association. To obtain your copy, request the Bottom Line Owner, Officer and Manager Compensation Report on your firm's letterhead.

# All Home Centers

| Type of Employee | Average Number Per $100,000 Sales | % Full Time | Annual Salary Includes Bonus $ | Wage Per Hour $ | Annual Man Hours Worked |
|---|---|---|---|---|---|
| Department Managers | .11 | | 16,876 | 8.07 | 2,091 |
| Sales —Full-Time | .24 | 68.97 | 11,601 | 5.65 | 2,054 |
| Sales —Part-Time | .16 | | | 4.79 | 986 |
| Office — Full-Time | .10 | 80.75 | 11,659 | 5.84 | 1,996 |
| Office — Part-Time | .05 | | | 4.08 | 848 |
| Check-Out — Full-Time | .09 | 58.48 | 8,664 | 4.57 | 1,896 |
| Check-Out — Part-Time | .13 | | | 3.67 | 914 |
| Delivery — Full-Time | .10 | 83.90 | 11,953 | 6.03 | 1,982 |
| Delivery — Part-Time | .10 | | | 3.13 | 821 |
| Warehouse — Full-Time | .05 | 71.60 | 12,128 | 5.53 | 2,193 |
| Warehouse — Part-Time | .05 | | | 4.19 | 888 |
| Yard — Full-Time | .15 | 73.75 | 12,334 | 6.01 | 2,053 |
| Yard — Part-Time | .11 | | | 3.13 | 791 |
| Other — Full-Time | .12 | 79.50 | 11,291 | 5.53 | 2,042 |
| Other — Part-Time | .11 | | | 2.67 | 699 |
| All Full-Time Employees* | .85 | 72.41 | 12,031 | 5.92 | 2,031 |
| All Part-Time Employees | .71 | | | 4.02 | 892 |

# Productivity

| Type of Home Center | Sales Per Year: All Employees** $ | Sales Per Year: Sales Personnel Only $ | Sales Per Man Hour: All Employees** $ | Sales Per Man Hour: Sales Personnel Only $ | Sales Per $ Payroll: All Employees** $ | Sales Per $ Payroll: Sales Personnel Only $ |
|---|---|---|---|---|---|---|
| **All Home Centers** | 83,659 | 285,722 | 48.20 | 169.11 | 7.08 | 30.88 |
| **Sales Volume** | | | | | | |
| Under $1,000,000 | 56,791 | 143,660 | 36.99 | 93.72 | 6.58 | 21.48 |
| $1,000,000 to $2,999,999 | 84,936 | 279,512 | 49.66 | 163.47 | 6.79 | 28.65 |
| $3,000,000 or More | 96,046 | 414,577 | 51.69 | 231.01 | 7.74 | 40.38 |
| **Sales Floor Size** | | | | | | |
| Under 10,000 Sq. Ft. | 97,728 | 482,606 | 52.88 | 277.92 | 7.47 | 43.55 |
| 10,000 to 19,999 Sq. Ft. | 71,806 | 216,767 | 45.20 | 140.11 | 6.75 | 25.73 |
| 20,000 Sq. Ft. or More | 82,590 | 235,791 | 45.97 | 128.95 | 6.84 | 26.05 |
| **Type of Origin** | | | | | | |
| Hardware Origin | 62,219 | 158,787 | 38.47 | 96.23 | 6.54 | 21.53 |
| Lumber/Building Material Origin | 98,314 | 426,728 | 53.77 | 245.16 | 7.32 | 37.45 |
| Organized as a Home Center | 64,921 | 185,634 | 40.46 | 107.17 | 6.84 | 23.76 |
| **Trade Area Size** | | | | | | |
| S. M. S. A. | 84,034 | 365,216 | 47.12 | 209.62 | 7.06 | 35.45 |
| Cities — 10,000 to 50,000 | 68,048 | 187,767 | 41.75 | 112.64 | 6.57 | 23.28 |
| Rural Areas Under 10,000 | 105,657 | 421,156 | 57.31 | 250.97 | 7.63 | 39.20 |

*Excluding Owners, Officers and Store Managers.
**Including Owners, Officers and Store Managers.

# New Home Center Data

To determine the feasibility of a new home center, four distinct planning phases are required:
—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Store Image

### Phase I

As the ultimate criterion of feasibility for a proposed home center will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new home center can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's The Bottom Line to estimate sales volumes, gross margins, salaries and other cost of doing business to project Net Profits and Return on Investment for the proposed operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

### Phase II

### Site Location

The market area to be served by the proposed home center operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail home center location. These aspects are listed below.

**Shopping Pull** — Businesses in the area which would help draw consumers to the area.

**Parking Facilities** — Adequate parking requires two to two and a half square feet of parking for every square foot of selling area.

**Walk-In Traffic**
**Traffic Count and Patterns**
**Accessibility**
**Visibility**
**Congestion**

**Shopping Ease** — The ability for the consumer to get out of the store from the point of check-out to his or her auto with a large item.

**Ingress and Egress** — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

### Primary Trade Area

After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or man-made barriers.

**Size** — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

**Number of Consumers** — A 10,000 square foot store requires 30,000 to 35,000 consuming residents; a 20,000 square foot store requires 70,000 to 75,000 consuming residents.

**Driving Time** — Typically a 10,000 square foot store can draw consumers within 10 to 15 minutes driving time, a 20,000 square foot store drawing within 15 to 20 minutes driving time.

**Other Retail Stores** — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

**Barriers** — Barriers affecting accessibility to selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new home center store within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

### Consumer Analysis

From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumer's propensity to spend on hardlines.

**Population Growth Rate** — A viable environment for a new home center requires that the Primary Trade Area experience a minimum of .5 to 1.0 percent annual increase in population with the preferred rate being 2.0 percent or more.

**Income Levels** — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

**Type of Housing** — Consumers who own their own homes will spend as much as 4 to 5 times more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

### Competitive Analysis

Although within a given Primary Trade Area consumer demographic variables may indicate a healthy environment for a new home center, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardlines and lumber and building material sales represent 70 to 90 percent of the total sales volume for an average home center. Primary hardlines include: hardware, tools, electrical, plumbing, lawn and garden, paint and paint sundries. As these lines represent the substantial majority of sales for a home center, analysis to determine the feasibility of a new store should focus on these lines.

Retail stores which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating the retailer offers a minimal selection of items and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a home center, the merchandise mix must include all primary hardlines plus lumber and building materials. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Lumber, Building Materials — average to above average.

**Illustration**

| | Hdwe. | Tools | Elec. | Plbg. | Lawn/ Gdn. | Pnt. | Sund-ries | Lmbr. | Bldg. Mat'l. |
|---|---|---|---|---|---|---|---|---|---|
| **Site Area** | | | | | | | | | |
| Variety Store | 1 | 1 | 2 | 1 | 3 | 2 | | | |
| Drug Store | | | 1 | | 1 | | | | |
| **Downtown** | | | | | | | | | |
| Home Center | 5 | 4 | 5 | 4 | 4 | 5 | 5 | 5 | 3 |
| Paint Store | | | | | | 5 | 2 | | |
| Auto Supplies | | 1 | 1 | | | | | | |
| **East** | | | | | | | | | |
| Hardware Store | 4 | 3 | 4 | 2 | 5 | 3 | 3 | | |
| K-Mart | 4 | 5 | 3 | 3 | 5 | 5 | 4 | 3 | 2 |
| Lumber Outlet | 2 | 1 | 2 | 2 | 1 | 3 | 3 | | |
| **South** | | | | | | | | | |
| Sears | 4 | 5 | 4 | 4 | 5 | 5 | 4 | | 2 |
| Penney | 3 | 4 | 3 | 3 | 4 | 4 | 3 | | |
| Sherwin Williams | | | | | 5 | 5 | | | |
| Gift Shop | | | | | | | | | |
| Super Drugs | 2 | 1 | 2 | 2 | 3 | 2 | 1 | | |
| **Total** | 25 | 25 | 27 | 21 | 36 | 39 | 25 | 8 | 7 |
| # Of Competitors | 8 | 9 | 10 | 8 | 10 | 10 | 8 | 2 | 3 |

**Phase III**

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a pro-forma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities etc. For those expense items that cannot be determined, NRHA's The Bottom Line will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirements including working capital will be determined.

One very important factor to remember is that a typical new store will take three years to reach maximum productivity and efficiency or what is termed "store maturity". Therefore do not be overly optimistic on setting performance goals. Based on 1981 dollars, the average new retail home center will achieve sales volumes of only $60 to $70 per square foot in the first year of operation with a second year productivity of $70 to $80 per square foot.

**Phase IV**

Through a combined analysis of all planning phases, the consumer store image is developed.

Owner's Economic Constraints

Customer Identification

Posture of Major Competitors

**will determine**

Size of Facility

Merchandise Mix

Service Level

Price Statement

**will determine**

Store Layout, Design and Decor

**which relays**

Consumer Store Image

# Member Services

### Home Center Institute

The Home Center Institute is a service activity of the National Retail Hardware Association, established in 1972 to meet the unique needs of existing home center retailers and traditional hardware or lumber retailers who were changing into home centers.

HCI is the information and service center of the home center industry, and for the first time provides the consumer-oriented home center retailer with a focal point for industry action.

Included among HCI services are a wide variety of programs in the areas of sales training, management development and training, research, consumer information, seminars and workshops, advertising and promotion, management aids, merchandising aids and Washington legislative representation.

HCI concentrates its service activities in those areas where it would be prohibitively expensive — or impossible — for the member to develop his own programs.

HCI makes available to its membership the vast resources of the National Retail Hardware Association, which has established an industry-wide reputation for professional leadership and innovation in its nearly 80 years of serving hardgood retailers.

### Management/Education Services

Behind every successful home center is a good management team. HCI is dedicated to providing the managerial and educational programs home center retailers need to manage more efficiently.

**Consumer Material**
A retailer's D-I-Y library, offering fifty different "Show How" pamphlets.

**Show How Theatre**
An in-store audio visual program for employee training and for showing manufacturer-provided films to consumers.

**Employee Education**
The "Advanced Course in Hardware Retailing" provides information on selling, merchandising and display.

Sales Training Workbooks for building materials, plumbing, electrical and hardware offer indepth specialized training.

"How To" tapes and workbooks teach middle management about pricing, theft, motivation, advertising, etc.

**Legislative Representation**
NRHA's director of government relations voices the home center retailers position on every pertinent issue to Congress, commissions and agencies.

**Management Information**
"Store Meeting Guide" and "Sales Tips" for employees combine instruction and motivation. "Departmental Merchandising Guide" suggests basic stock and location of displays. "Wage-Hour and Fair Employment Practices Handbook" covers laws and interpretations on employment practices.

**Personnel Management Aids**
Material to improve interviewing and evaluating job applicants and employees.

**Seminars and Workshops**
Subjects range from store management to ownership succession. Larger home centers, can make use of these seminars for "in-house" training programs.

### Store Planning Services Layout and Merchandising

There's more to furnishing a store than setting up some fixtures. It requires planning, designing the sales floor for maximum efficiency, creating an image with decor, display accessories, proper merchandising and installation of the entire store. The NRHA/HCI's Master Merchant Store Planning Program offers a single source consulting service in all these areas, staffed by highly trained and thoroughly experienced store engineers and merchandising consultants.

**Store Planning**
An association consultant can design a sales floor that makes effective use of space, appeals to the consumer, increases operating efficiency and improves profit.

**Merchandising**
Establishes the proper relationship between items and categories of merchandise, feature displays, improved impulse sales and related sales. It involves knowledge of the retailer's market area and the merchandise mix he needs.

**Decor**
More than identifying departments, good decor can stimulate the customer's buying urges, create a distinctive store image, make customers feel comfortable in the store and keep them coming back.

**Fixtures and Equipment**
NRHA/HCI provides retailers with fixtures designed specifically for home centers.

**Installation**
Supervised and scheduled by merchandising consultants working with dedication to minimize interruption of the business in an existing store, and towards on-time opening of a new store.

**Leasing and Financing**
Available through NRHA to help conserve operating funds for current merchandise needs.

# Affiliated Associations

**California Retail Hardware Association**
William R. Maze
122 Ninth St.
San Francisco, CA 94103
(415) 552-0536

**Canadian Retail Hardware Association**
Thomas M. Ross
6800 Campobello Rd.
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(416) 821-3470

**The Hardware Association of the Carolinas**
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(704) 332-3141

**Illinois Retail Hardware Association**
John C. Friel
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Mt. Prospect, IL 60056
(312) 392-8700

**Indiana-Kentucky Hardware Association, Inc.**
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Indianapolis, IN 46205
(317) 547-5471

**Intermountain Association**
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(208) 342-7779

**Iowa Retail Hardware Association**
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520 35th St.
Des Moines, IA 50312
(515) 274-0401

**Michigan Retail Hardware Association**
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P.O. Box 30085
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**Mid South Hardware Association**
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**Minnesota-Dakotas Retail Hardware Association**
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(612) 929-4691

**Montana Hardware and Implement Association**
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Helena, MT 59601
(406) 442-1590

**Mountain States Hardware and Implement Association**
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Lakewood, CO 80215
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**New England Hardware Dealers Association**
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Lakeside Office Park, Door #5
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**New York State Retail Hardware Association**
Fred Suman
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(315) 437-7318

**Ohio Hardware Association**
Joe B. Bailey Jr.
1540 W. Fifth Ave.
P.O. Box 1828
Columbus, OH 43216
(614) 486-5278

**Pacific Northwest Hardware and Implement Association**
Mac Smith
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Rm. 606
Portland, OR 97204
(503) 226-1641

**Pacific Southwest Hardware Association**
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Anaheim, CA 92803
(714) 778-2050

**Pennsylvania and Atlantic Seaboard Hardware Association**
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949 East Park Dr.
Harrisburg, PA 17111
(717) 564-7011

**Southern Association**
R. L. Ricker
2111 Smith St.
Orange Park, FL 32073
(904) 264-7525

**Southwest Hardware and Implement Association**
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4629 Mark IV Parkway
Ft. Worth, TX 76106
(817) 625-5562

**Hardware Association of the Virginias**
Leonard Holdren
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Richmond, VA 23230
(804) 358-6511

**Western Retail Implement and Hardware Association**
J. Keith Melvin
638 W. 39th St.
P.O. Box 19264
Kansas City, MO 64141
(816) 561-5323

**Wisconsin Retail Hardware Association**
Robert L. Gast
1421 Strongs Ave.
Stevens Point, WI 54481
(715) 346-7600

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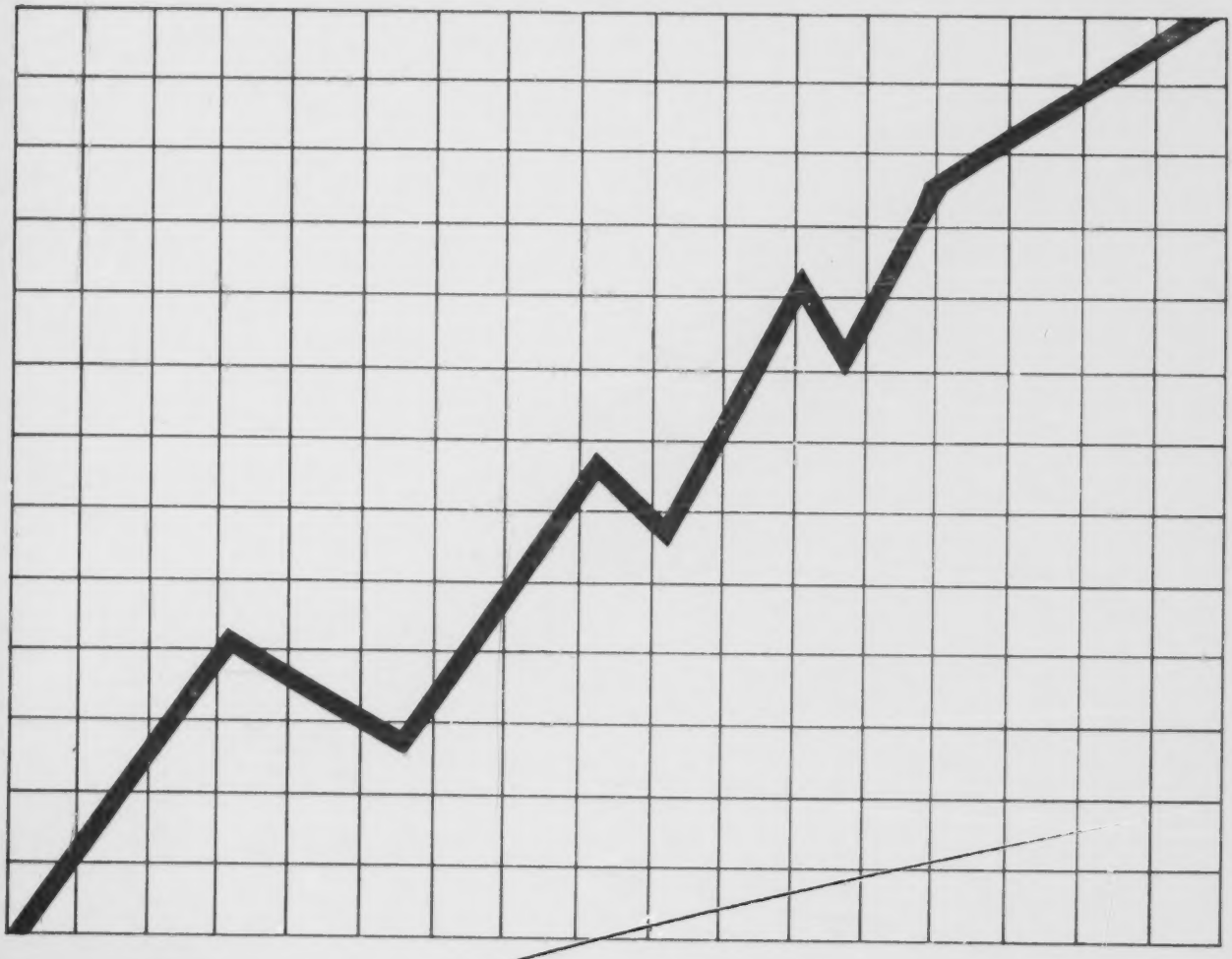
# 1981
# Lumber/Building Materials Financial Report

## Financial Report For Retail Lumber/Building Materials Outlets



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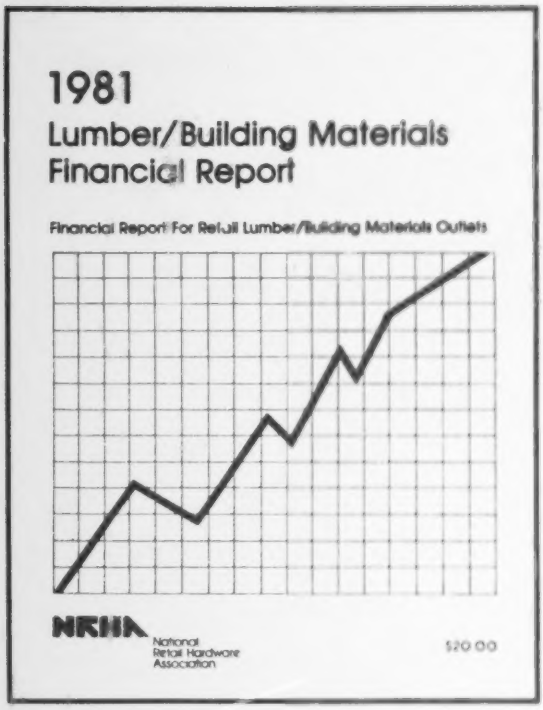


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# Introduction

## Lumber/Building Material Financial Report

The 1981 Lumber/Building Material Financial Report presents financial operating data for the consumer-oriented lumber and building material industry. To be included, a lumber/building material outlet must actively pursue and derive a portion of total sales from the consumer do-it-yourself market. The outlet must have a retail sales floor and carry basic hardlines in addition to lumber/building materials. The Report is designed to fulfill several objectives: to assess the financial performance of the lumber/building material industry in 1980; to provide comparative financial data so that retailers can measure their performance against other industry members; to provide a frame of reference for profit planning enabling lumber/building material retailers to continually improve performance levels. Additionally the Report provides an excellent means for manufacturers, wholesalers and other interested parties to gain a better understanding of the industry.

### Five Major Sections

The Lumber/Building Material Financial Report is divided into five major sections, Average Operating Results, Strategic Profit Model, Departmental Sales, Compensation Study, and New Store Data. All results are presented as averages, computed by adding all data for a given item and then dividing by the total number of entries.

**Average Operating Results** includes data on sales, operating expenses, profits and financial performance. Income statement items are presented as a percentage of net sales and balance sheet items as a percentage of total assets.

The **Strategic Profit Model** combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on return on net worth.

**In Departmental Sales,** information is presented on the percent of outlets handling major departments found in retail lumber/building material outlets. The percent of net sales, salesfloor, inventory, and cost of goods sold are outlined both for handling firms only and for an average outlet's profile.

**The Compensation Study** offers information on eight categories of employees. Compensation data on the hours worked, salaries and wages paid and number of persons employed are shown for: department managers, sales personnel, office personnel, check-out/counter help, delivery, warehouse and yard personnel, and other employees.

In **New Store Data,** information on the required planning phase for new store development is presented.

### Type of Outlet

Many factors influence a lumber/ building material outlet's cost of doing business. Therefore, Report data are shown in different ways in order that individual operators may make meaningful comparisons. Information contained in Average Operating Results is presented for the following outlet types:

—High and Low Profit
—Sales Volume Size
—Sales Floor Size
—Trade Area Size
—Outlet Location
—Number of Outlets

### Methodology

The Lumber/Building Material Financial Report is made possible only through the cooperation of the retail lumber/building material men and women who provided detailed information on their operation. Confidential mail questionnaires were sent to lumber/building material operators the end of February. Two hundred forty-two usable returns were received by June 1, 1981 in time for inclusion in this year's Report.

All dealer survey forms were edited for completeness by NRHA's Research Services Department Staff. Forms were coded for computer processing and **all individual firm identification removed.** For the first time in the history of the Lumber/Building Materials Financial Report the survey forms were then processed by our own data processing department. With the flexibility of working in-house to develop a brand new processing program, the Research Services Department was able to make various changes and improvements in the program. These changes are as follows; if there are any questions concerning them please contact the Research Services Department directly at the National Retail Hardware Association.

### Income Statement Data

1. Total Deductions. In the past the percent of total deductions was calculated only for those outlets reporting deductions. The figure is now calculated for **all** outlets, to take into account those outlets that have no deductions. As a result, this year's figures will appear somewhat lower than those reported in the past.

### Balance Sheet Data

2. Investments. Previously calculated only for investments as a whole, figures are now reported for stocks and bonds, real estate (not used in the business), and other investments.

3. Fixed Assets. On previous questionnaires fixed assets was divided into the two categories of land-buildings and other fixed assets. It is now split into land, buildings, machinery and office equipment, and other fixed assets.

4. Current Liabilities. Current liabilities has been broken up into accounts payable, notes payable, accrued expenses payable, federal income taxes payable and other current liabilities.

5. Long Term Liabilities. This category has been divided into long term debt, deferred income taxes and other long term liabilities.

### Financial Performance Data

6. Incoming Freight. As with Total Deductions, this figure was calculated in the past only for those outlets which reported an amount for freight. It is now calculated for **all** outlets, to include those which have no freight costs per se.

### High/Low Profit Outlets Table

7. High versus Low Profit Outlets Table. This table is determined by taking the averages of the outlets with the lowest and the highest percent net profits. In the past, the sample was split into **thirds**, and the bottom and upper thirds were used. We have found, however, that quartile averages are used more frequently and seem to be considered more meaningful. As a result, our low and high profit figures now represent the lowest and highest **fourths** of the sample.

### All Tables

8. Sample Sizes. In previous editions of the Lumber/Buidling Material Financial Report the sample size for each of the tables was the same. If demographic information such as the square footage of the outlet was not reported it was either obtained from a past questionnaire on file or was estimated. With the flexibility of the new data processing program, however, we were able to calculate a table only for those outlets which reported the information on their questionnaire. Hence, the sample size varies somewhat from table to table.

As thanks for thier contributive efforts, each lumber/building material operator who submitted detailed financial information was provided a personalized computer analysis. This customized analysis compared each contributor's results with averages of all other outlets in the same sales volume, sales floor, geographical area, and outlet location categories, as well as with the averages for the entire sample.

### One Of A Series

The National Retail Hardware Association publishes detailed Financial Operating Reports for three types of hardlines retailers. Studies which are available in addition to the Lumber/Building Material Financial Report are the Management Report for retail hardware stores and The Bottom Line for home centers. Each segment of the concentrated hardgoods market is provided with its own cost-of-doing-business comparison manual.

### For Assistance

Assistance and aid in interpreting the 1981 Lumber/Building Material Financial Report may be obtained from your regional Hardware Association.

# Highlights

Dealers contributing information to the report stated that their sales were down an average of 6.84 percent from the previous year. This is reflected in the average sales per store which decreased from $1,817,605 in 1979 to $1,398,518 in 1980. The average cost of goods sold was down 1.12 percent to 73.45 percent of net sales, leading to an increase in the average gross margin. All other costs such as payroll and occupancy expenses were up, however, resulting in a decrease in net profit on sales. Net profit on investment dropped also, from 22.73 percent to 12.04 percent, and stock turns slid from 4.89 to 4.28.

| Type of Lumber Outlet | Net Sales $ | Sales Increase Over 1979 (%) | Margin (%) | Net Profit On Sales (%) | Net Profit On Investment (%) | Stock Turns x |
|---|---|---|---|---|---|---|
| **All Lumber Outlets** | 1,398,518 | -6.84 | 26.55 | 2.92 | 12.04 | 4.28 |
| Low Profit | 1,399,813 | -14.88 | 24.15 | (1.15) | (6.21) | 3.96 |
| High Profit | 973,114 | -4.60 | 29.73 | 7.62 | 19.78 | 3.62 |
| **Sales Volume Size** | | | | | | |
| Under $500,000 | 334,623 | -1.34 | 27.94 | 2.85 | 7.73 | 2.96 |
| $500,000 to $999,999 | 772,997 | -11.44 | 29.25 | 2.47 | 8.02 | 3.13 |
| $1,000,000 to $1,999,999 | 1,344,560 | -7.03 | 27.69 | 3.51 | 13.23 | 3.95 |
| $2,000,000 or More | 4,442,137 | -5.54 | 24.58 | 2.60 | 13.97 | 5.54 |
| **Sales Floor Size** | | | | | | |
| Under 3,000 Sq. Ft. | 819,772 | -9.77 | 26.58 | 2.68 | 9.82 | 4.11 |
| 3,000 to 4,999 Sq. Ft. | 1,331,409 | -3.96 | 27.36 | 3.50 | 12.92 | 3.97 |
| 5,000 Sq. Ft. or More | 1,804,439 | -6.73 | 25.58 | 2.59 | 12.68 | 4.23 |
| **Trade Area Size** | | | | | | |
| S.M.S.A. | 2,061,004 | -9.80 | 27.24 | 2.76 | 11.00 | 5.15 |
| Cities — 10,000 to 50,000 | 1,776,221 | -7.92 | 26.00 | 3.11 | 13.62 | 4.63 |
| Rural Areas Under 10,000 | 1,107,407 | -4.92 | 26.65 | 2.76 | 11.28 | 3.84 |
| **Outlet Location** | | | | | | |
| Downtown | 1,071,507 | -11.00 | 27.22 | 2.31 | 7.53 | 3.51 |
| Suburban | 1,597,802 | -5.61 | 26.43 | 3.03 | 13.82 | 4.66 |
| Rural | 1,212,496 | -6.49 | 26.59 | 3.22 | 13.51 | 4.04 |

# Monthly Sales

Shown below are the industry average percent of sales by month. Once again, October is the leading month for consumer-oriented outlets. Although all retail activity is affected by the seasons, the lumber/building material industry experiences greater seasonal sales fluctuations. These fluctuations can cause management problems, particularly in cash flow. To level seasonal sales fluctuations, lumber/building material retailers could consider several courses of action; expansion of product lines carried, better displays, more promotions and increased use of coop advertising dollars.

| | % | | % |
|---|---|---|---|
| January | 7.0 | July | 9.3 |
| February | 6.0 | August | 9.6 |
| March | 6.4 | September | 9.9 |
| April | 8.3 | October | 10.2 |
| May | 8.8 | November | 8.8 |
| June | 9.0 | December | 6.7 |

# Average Operating Results

### Income Statement Data

The Income Statement presents, in a single format, revenue derived from the sale of merchandise and expenses incurred to produce these sales. All Financial Report Income Statement data are presented as a percent of Net Sales, computed by dividing each item by the Net Sales.

**Net Sales Volume** — The dollar amount of cash sales plus credit sales less total deductions.

**Total Deductions** — Goods returned, discounts allowed, sales taxes and other taxes paid to secure licenses.

**Cost of Goods Sold** — Inventory First of the Year plus Purchases plus Freight In minus Purchase Rebates minus Inventory End of the Year equals Cost of Goods Sold.

**Margin** — The difference between Net Sales and the Cost of Goods Sold.

**Salaries — Owners, Officers, Managers** — The compensation including bonuses paid to owners, officers and store managers who work in the business.

**Salaries — Other Employees** — The compensation, wages and bonuses, paid to all other employees.

**Federal and State Payroll Taxes** — Federal and State Withholding, Unemployment Compensation and FICA Taxes.

**Group Insurance** — All premiums paid to insure employees for health and accident protection.

**Benefit Plans** — The employers' share of cost for employee welfare/benefit plans — life insurance, retirement, education, etc.

**Heat, Light, Power and Water** — All utility expenses incurred in the operation of the business.

**Repairs to Building** — All charges for incidental repairs which keep the building in ordinarily efficient operating condition.

**Rent or Ownership in Real Estate** — Rent is the amount paid for properties used in the business. Ownership includes current year taxes, insurance, depreciation and interest on mortgages on land and buildings used in the business.

**Office Supplies and Postage** — The cost of all materials used for the firm's accounting records.

**Advertising** — Newspapers, circulars, calendars, radio and television spots, dealer's share of cooperative advertising and materials used in sales events.

**Donations** — All gifts given from the business operations to charity.

**Telephone and Telegraph** — For expenses incurred in the operation of the business.

**Bad Debts** — Uncollectable debts.

**Delivery (Other than Wages)** — All expenses incurred in the operation of delivery equipment; gas, tires, etc.

**Insurance** — Premiums paid to insure all assets against fire, theft, etc.

**Taxes** — All taxes on stock, fixtures, delivery equipment, etc.

**Credit Card Expense** — Bank charges for processing credit card sales.

**Interest on Borrowed Money** — The amount of interest paid on borrowed money for all types of notes, loans.

**Store and Shop Supplies** — The costs of all supplies used in the operation of the store.

**Legal and Accounting** — The cost incurred for auditing, inventory count, collectors and legal consultation.

**Dues and Subscriptions** — Fees for memberships and subscription, and expenses for employee training.

**Travel, Buying, Entertainment** — All expenses incurred in business trips and the entertainment of guests.

**Unclassified** — All expenses not classified under other headings.

**Net Operating Profit** — Return on sales before Other Income and Income Taxes when expressed as a percent of Net Sales indicates the percent return on each dollar of sales.

**Other Income** — Cash discounts earned, cash over or short, interest dividends, finance charges, commissions, tax allowances and rental income.

**Net Profit (Before Income Tax)** — The net return from the operation of the business.

### Balance Sheet

The balance sheet is a statement of financial position at a given point in time; the Report presents year-ending balance sheets. The balance sheet equation is expressed as Assets equal Liabilities plus Net Worth.

**Current Assets** — Cash, notes receivable in the current year, accounts receivable (less reserve for doubtful accounts), merchandise inventories and other assets with a defined short-term life of one year.

**Investments** — Assets with a long-term life such as stocks and bonds or real estate which are not needed to operate the business.

**Fixed Assets** — Assets with a long-term life which are needed to carry out a firm's normal business activities. The Financial Report includes only tangible assets at book value less accumulated depreciation. Included in addition to land and buildings, are delivery equipment, machinery and office equipment, furniture, fixtures, etc.

**Current Liabilities** — All debts which are due within one year — accounts payable, current portion of notes payable and accrued payroll, taxes, insurance, interest, etc.

**Long-Term Liabilities** — All debts, mortgages, and loans which mature or are due more than one year from the date of the balance sheet, deferred income taxes.

**Net Worth** — Total assets minus current and long-term liabilities equals net worth or the owner's equity in the business.

**Financial Ratios**
The financial position of a firm is determined from a review of its financial statements — the income statement and the balance sheet. The analysis of the financial performance of a firm views the interaction of the two financial statements through the measurement of proportions within the structure of the two statements. The proportions are tested by ratio analysis. Sixteen financial ratios are presented in this Financial Report.

**Profit On Investment**
—Computed by dividing Net Profit Before Taxes by Net Worth; expressed as a percentage.
—Measures the return on the owner's invested capital and is the modern criterion for profitability. Today's hardware retailers should program their operations to achieve a rate of Return-On-Investment of at least 15% after taxes.

**Active Owner's Return**
—Computed by adding Owner's Salary to Net Profit Before Taxes and then dividing by Net Worth; expressed as a percentage.
—Measures the total return to owners and is applicable to proprietorships, partnerships and small corporations. This ratio allows comparison between operators with different philosophies regarding salaries and profits.

**Current Asset Ratio**
—Computed by dividing Total Current Assets by Total Current Liabilities; expressed in "times".
—Measures the ability to pay short-term Debts with Assets that may be converted to cash within a period of time corresponding to the maturity of the claims. The traditionally accepted minimum is 2 to 1 or 2.0 times.

**Quick Asset Ratio**
—Computed by dividing Current Assets minus Inventory by Current Liabilities; expressed in "times".
—Measures the ability to pay Current Debts from Current Assets without relying on the sale of inventory. The traditionally accepted minimum is 1.0 times.

**Total Debt To Tangible Net Worth**
—The Leverage Ratio, computed by dividing Total Liabilities by Tangible Net Worth; expressed as a percentage.
—Measures the owner's investment in comparison to financing provided by creditors and gives an indication of a firm's ability to acquire more debt.

**Stock Turn Times**
—Computed by dividing Cost of Goods Sold by Average Inventory at Cost (Beginning Inventory plus Year-end Inventory divided by two); expressed in "times".
—Measures the actual physical turnover of the inventory. A low rate of inventory turnover indicates the liklihood that a portion of the book value of the inventory includes obsolete or unusable items. A high ratio indicates efficiency in buying and inventory control; however too high a ratio may indicate the loss of potential sales due to inadquate stocking. Retail hardware store operators should achieve three turns or more per year.

**Sales to Inventory**
—Computed by dividing Net Sales by Average Inventory; expressed in "times".
—Measures merchandising efficiency and supplements the Stock Turn ratio in determining whether proper inventory control is achieved through scheduled and balanced buying.

**Average Inventory Per Sq. Ft. of Sales Area**
—Computed by dividing Average Inventory by Square Feet of Sales Area; expressed in dollar value of inventory at cost.
—A rough measure of merchandising efficiency.

**Net Sales to Accounts Receivable**
—Computed by dividing Net Sales by Accounts Receivable; expressed in "times".
—Measures the sales tied up in accounts receivable. This ratio is the most meaningful when compared to previous years' ratios, due to individual dealer policies of granting their own credit.

**Net Sales to Total Assets**
—Computed by dividing Net Sales by Total Assets; expressed in "times".
—Measures the use of all Assets to produce Sales. A high ratio may indicate over-trading on assets. A low ratio may indicate excessive investment resulting in idle capacity.

**Net Sales to Net Worth**
—Computed by dividing Net Sales by Tangible Net Worth; expressed in "times".
—Measures the extent to which sales are supported by invested capital.

**Net Sales to Working Capital**
—Computed by dividing Net Sales by Working Capital (Current Assets minus Current Liabilities); expressed in "times".
—Measures the demand on working capital to support the sales volume. A high ratio may limit the firm's ability to meet day to day debts.

**Sales Per Sq. Ft. — Selling Area**
—Computed by dividing Net Sales by Square Feet of Sales Area; expressed in retail sales dollars.
—Measures sales productivity.

**Sales Per Sq. Ft. — Total Area**
—Computed by dividing Net Sales by Square Feet of Total Area including warehouse and outside storage area; expressed in retail sales dollars.
—Measures sales productivity and indicates the amount of sales generated by each square foot of the total facility.

**Sales Per Person Employed**
—Computed by dividing Net Sales by the Total Number of Employees; expressed in retail sales dollars.
—Measures the efficiency of personnel in producing sales and is the most useful when compared to past performance.

**Sales Per Customer**
—Computed by dividing Net Sales by the Total Number of Customer Transactions; expressed in retail sales dollars.
—Measures the average sale per transaction. This ratio gives an indication of the store personnel's ability to make add-on sales.

# All Outlets

| Income Statement Data | All Outlets | Low Profit Outlets | High Profit Outlets |
|---|---|---|---|
| **Number of Outlets** | 242 | 60 | 61 |
| **Net Sales Volume** | $1,398,518 | $1,399,813 | $973,114 |
| Current Year's Sales vs. Previous Year* | -6.84% | -14.88% | -4.60% |
| Gross Sales | 101.64% | 103.01% | 100.63% |
| Less: Total Deductions | 1.64 | 3.01 | .63 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 73.45 | 75.85 | 70.27 |
| **Margin** | 26.55 | 24.15 | 29.73 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Store Managers | 3.90 | 3.65 | 5.27 |
| Salaries — Other Employees | 8.98 | 9.88 | 7.38 |
| Federal and State Payroll Taxes | .89 | .90 | .81 |
| Group Insurance | .40 | .46 | .32 |
| Benefit Plans | .57 | .36 | .50 |
| **Total Payroll and Other Employee Expense** | 14.74 | 15.25 | 14.28 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .41 | .43 | .43 |
| Repairs to Building | .36 | .42 | .33 |
| Rent or Ownership in Real Estate** | 2.10 | 2.37 | 1.80 |
| **Total Occupancy Expense** | 2.87 | 3.22 | 2.56 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .36 | .31 | .49 |
| Advertising | .89 | .93 | .83 |
| Donations | .06 | .12 | .04 |
| Telephone and Telegraph | .26 | .28 | .30 |
| Bad Debts | .65 | .69 | 1.49 |
| Credit Card Expense | .03 | .01 | .00 |
| Delivery (Other than Wages) | .91 | 1.04 | .76 |
| Insurance (Other than Real Estate and Group) | .84 | .84 | .61 |
| Taxes (Other than Real Estate and Payroll) | .42 | .48 | .35 |
| Interest on Borrowed Money (Other than Mortgages) | .98 | 1.37 | .65 |
| Depreciation (Other than Real Estate) | .71 | .76 | .52 |
| Store and Shop Supplies | .16 | .22 | .25 |
| Legal and Accounting | .32 | .42 | .39 |
| Dues and Subscriptions | .08 | .07 | .07 |
| Travel, Buying, Entertainment | .17 | .20 | .19 |
| Unclassified | .77 | .70 | .41 |
| **Total Other Costs of Doing Business** | 7.61 | 8.44 | 7.35 |
| **Total Operating Expense** | 25.22 | 26.91 | 24.19 |
| **Net Operating Profit** | 1.33 | (2.76) | 5.54 |
| Other Income | 1.59 | 1.61 | 2.08 |
| **Net Profit (Before Income Taxes)** | 2.92 | (1.15) | 7.62 |

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# All Outlets

| Balance Sheet Data | All Outlets | Low Profit Outlets | High Profit Outlets |
|---|---|---|---|
| **Total Dollar Assets** | $602,689 | $617,781 | $483,754 |
| | | % of Total Assets | |
| **Assets** | | | |
| Cash and Equivalent | 6.47 | 3.53 | 9.70 |
| Notes and Contracts Receivable | 2.00 | 3.14 | 2.02 |
| Accounts Receivable | 23.60 | 21.33 | 24.09 |
| Merchandise Inventory (End of Year) | 40.24 | 43.26 | 40.06 |
| Other Current Assets | 3.13 | 3.00 | 3.24 |
| **Total Current Assets** | 75.44 | 74.26 | 79.11 |
| Stocks and Bonds | 1.67 | 1.31 | 2.70 |
| Real Estate (Not Used in Business) | 1.90 | 2.04 | .84 |
| Other Investments | 1.75 | 2.83 | 1.09 |
| **Total Investments** | 5.32 | 6.18 | 4.63 |
| Land (Owned and Used in Business) | 4.09 | 2.71 | 2.95 |
| Buildings (Owned and Used in Business less Depreciation) | 8.19 | 9.64 | 8.50 |
| Machinery & Office Equipment (Owned and Used in Business less Depreciation) | 5.31 | 6.16 | 4.43 |
| Other Fixed Assets | 1.65 | 1.05 | .38 |
| **Total Fixed Assets** | 19.24 | 19.56 | 16.26 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities And Net Worth** | | | |
| Accounts Payable | 11.09 | 14.00 | 5.45 |
| Notes Payable | 10.74 | 16.00 | 3.65 |
| Accrued Expenses Payable | 3.19 | 1.72 | 5.65 |
| Federal Income Taxes Payable | .30 | .05 | .47 |
| Other Current Liabilities | 2.54 | 2.76 | 1.72 |
| **Total Current Liabilities** | 27.86 | 34.53 | 16.94 |
| Long Term Debt | 13.63 | 19.39 | 2.87 |
| Deferred Income Taxes | .50 | .10 | 2.08 |
| Other Long Term Liabilities | 1.85 | 3.76 | .72 |
| **Total Long Term Liabilities** | 15.98 | 23.25 | 5.67 |
| **Total Liabilities** | 43.84 | 57.78 | 22.61 |
| **Net Worth** | 56.16 | 42.22 | 77.39 |
| **Total Liabilities And Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 12.04% | (6.21)% | 19.78% |
| Active Owner's Return | 28.14% | 13.37% | 33.48% |
| Current Asset Ratio | 2.71x | 2.15x | 4.67x |
| Quick Asset Ratio | 1.26x | .90x | 2.31x |
| Total Debt to Tangible Net Worth | 78.05% | 136.84% | 29.23% |
| **Stock Turn Times** | 4.28x | 3.96x | 3.62x |
| Sales to Inventory Ratio | 5.82x | 5.22x | 5.15x |
| Average Inventory per Sq. Ft. Sales Area | $94.18 | $85.19 | $108.60 |
| Net Sales to Accounts Receivable | 9.83x | 10.62x | 8.35x |
| Net Sales to Total Assets | 2.32x | 2.27x | 2.01x |
| Net Sales to Net Worth | 4.13x | 5.37x | 2.60x |
| Net Sales to Net Working Capital | 4.88x | 5.70x | 3.24x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .33% | .49% | .16% |
| Credit Sales — % of Total Gross Sales | 58.92% | 56.41% | 68.55% |
| Consumer Sales — % of Total Gross Sales | 56.18% | 53.38% | 64.56% |
| Selling Area — Square Feet | 3,674 | 3,179 | 3,427 |
| **Sales Per Square Foot — Selling Area** | $380.65 | $440.33 | $283.96 |
| Total Area — Square Feet | 19,326 | 18,056 | 17,982 |
| **Sales Per Square Foot — Total Area** | $72.36 | $77.53 | $54.12 |
| Sales Per Person Employed | $101,467 | $100,443 | $88,388 |
| Sales Per Customer | $66.14 | $54.10 | $99.03 |

# Sales Volume Size

| Income Statement Data | Sales Under $500,000 | $500,000 To $999,999 | $1,000,000 To $1,999,999 | Sales $2,000,000 Or More |
|---|---|---|---|---|
| **Number of Outlets** | 54 | 66 | 88 | 34 |
| **Net Sales Volume** | $334,623 | $772,997 | $1,344,560 | $4,442,137 |
| Current Year's Sales vs. Previous Year* | -1.34% | -11.44% | -7.03% | -5.54% |
| Gross Sales | 101.59% | 101.99% | 101.70% | 101.48% |
| Less: Total Deductions | 1.59 | 1.99 | 1.70 | 1.48 |
| Net Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 72.06 | 70.75 | 72.31 | 75.42 |
| **Margin** | 27.94 | 29.25 | 27.69 | 24.58 |
| **Payroll and Other Employee Expense** | | | | |
| Salaries — Owners, Officers, Store Managers | 6.78 | 5.01 | 4.73 | 2.52 |
| Salaries — Other Employees | 7.19 | 9.75 | 8.44 | 9.37 |
| Federal and State Payroll Taxes | .92 | 1.06 | .98 | .76 |
| Group Insurance | .40 | .55 | .35 | .39 |
| Benefit Plans | .61 | .29 | .60 | .64 |
| **Total Payroll and Other Employee Expense** | 15.90 | 16.66 | 15.10 | 13.68 |
| **Occupancy Expense** | | | | |
| Heat, Light, Power, Water | .66 | .52 | .46 | .30 |
| Repairs to Building | .29 | .31 | .40 | .36 |
| Rent or Ownership in Real Estate** | 2.46 | 2.47 | 2.16 | 1.89 |
| **Total Occupancy Expense** | 3.41 | 3.30 | 3.02 | 2.55 |
| **Other Costs of Doing Business** | | | | |
| Office Supplies and Postage | .44 | .40 | .39 | .32 |
| Advertising | 1.33 | 1.06 | .95 | .74 |
| Donations | .03 | .04 | .04 | .08 |
| Telephone and Telegraph | .31 | .34 | .31 | .19 |
| Bad Debts | .57 | .45 | .99 | .47 |
| Credit Card Expense | .01 | .02 | .07 | .01 |
| Delivery (Other than Wages) | .93 | 1.33 | .82 | .84 |
| Insurance (Other than Real Estate and Group) | .85 | 1.08 | .80 | .78 |
| Taxes (Other than Real Estate and Payroll) | .19 | .44 | .39 | .46 |
| Interest on Borrowed Money (Other than Mortgages) | .67 | 1.25 | .93 | .96 |
| Depreciation (Other than Real Estate) | .79 | .84 | .76 | .61 |
| Store and Shop Supplies | .27 | .17 | .14 | .15 |
| Legal and Accounting | .37 | .33 | .34 | .30 |
| Dues and Subscriptions | .11 | .11 | .08 | .06 |
| Travel, Buying, Entertainment | .16 | .21 | .21 | .13 |
| Unclassified | 1.14 | .62 | .69 | .84 |
| **Total Other Costs of Doing Business** | 8.17 | 8.69 | 7.91 | 6.94 |
| **Total Operating Expense** | 27.48 | 28.65 | 26.03 | 23.17 |
| **Net Operating Profit** | .46 | .60 | 1.66 | 1.41 |
| Other Income | 2.39 | 1.87 | 1.85 | 1.19 |
| **Net Profit (Before Income Taxes)** | 2.85 | 2.47 | 3.51 | 2.60 |

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Sales Volume Size

| Balance Sheet Data | Sales Under $500,000 | $500,000 To $999,999 | $1,000,000 To $1,999,999 | Sales $2,000,000 Or More |
|---|---|---|---|---|
| **Total Dollar Assets** | $189,992 | $414,191 | $613,563 | $1,595,909 |
| | | % of Total Assets | | |
| **Assets** | | | | |
| Cash and Equivalent | 7.46 | 4.89 | 6.41 | 7.15 |
| Notes and Contracts Receivable | 1.42 | 1.62 | 1.86 | 2.45 |
| Accounts Receivable | 14.11 | 21.15 | 23.00 | 27.22 |
| Merchandise Inventory (End of Year) | 44.83 | 42.55 | 40.19 | 38.19 |
| Other Current Assets | 1.30 | 3.89 | 2.64 | 3.59 |
| **Total Current Assets** | 69.12 | 74.10 | 74.10 | 78.60 |
| Stocks and Bonds | 4.84 | 1.13 | 2.38 | .65 |
| Real Estate (Not Used in Business) | 1.10 | 3.84 | 1.56 | 1.42 |
| Other Investments | 1.76 | 3.25 | 1.20 | 1.54 |
| **Total Investments** | 7.70 | 8.22 | 5.14 | 3.61 |
| Land (Owned and Used in Business) | 2.77 | 3.72 | 2.79 | 5.83 |
| Buildings (Owned and Used in Business less Depreciation) | 13.38 | 6.63 | 10.79 | 5.42 |
| Machinery & Office Equipment (Owned and Used in Business less Depreciation) | 6.41 | 5.71 | 5.23 | 4.97 |
| Other Fixed Assets | .62 | 1.62 | 1.95 | 1.57 |
| **Total Fixed Assets** | 23.18 | 17.68 | 20.76 | 17.79 |
| **Total Assets** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Liabilities And Net Worth** | | | | |
| Accounts Payable | 11.78 | 8.94 | 8.90 | 14.22 |
| Notes Payable | 7.89 | 13.18 | 7.26 | 13.50 |
| Accrued Expenses Payable | 1.03 | 2.31 | 3.68 | 3.54 |
| Federal Income Taxes Payable | .15 | .39 | .20 | .38 |
| Other Current Liabilities | 2.24 | 2.64 | 2.09 | 3.00 |
| **Total Current Liabilities** | 23.09 | 27.46 | 22.13 | 34.64 |
| Long Term Debt | 6.02 | 11.74 | 16.80 | 12.86 |
| Deferred Income Taxes | .15 | .15 | 1.11 | .14 |
| Other Long Term Liabilities | 5.85 | 3.17 | 1.79 | .49 |
| **Total Long Term Liabilities** | 12.02 | 15.06 | 19.70 | 13.49 |
| **Total Liabilities** | 35.11 | 42.52 | 41.83 | 48.13 |
| **Net Worth** | 64.89 | 57.48 | 58.17 | 51.87 |
| **Total Liabilities And Net Worth** | 100.00% | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | | |
| **Profit on Investment** | 7.73% | 8.02% | 13.23% | 13.97% |
| Active Owner's Return | 26.14% | 24.28% | 31.05% | 27.52% |
| Current Asset Ratio | 2.99x | 2.70x | 3.35x | 2.27x |
| Quick Asset Ratio | 1.05x | 1.15x | 1.53x | 1.17x |
| Total Debt to Tangible Net Worth | 54.10% | 73.96% | 71.96% | 92.78% |
| **Stock Turn Times** | 2.96x | 3.13x | 3.95x | 5.54x |
| Sales to Inventory Ratio | 4.11x | 4.42x | 5.46x | 7.35x |
| Average Inventory per Sq. Ft. Sales Area | $48.03 | $82.50 | $108.55 | $115.51 |
| Net Sales to Accounts Receivable | 12.48x | 8.83x | 9.53x | 10.23x |
| Net Sales to Total Assets | 1.76x | 1.87x | 2.19x | 2.78x |
| Net Sales to Net Worth | 2.71x | 3.25x | 3.77x | 5.37x |
| Net Sales to Net Working Capital | 3.63x | 4.00x | 4.22x | 6.33x |
| **Other Operating Data** | | | | |
| Incoming Freight — % of Purchases | .16% | .31% | .31% | .38% |
| Credit Sales — % of Total Gross Sales | 64.61% | 65.14% | 55.33% | 58.94% |
| Consumer Sales — % of Total Gross Sales | 71.76% | 61.54% | 49.92% | 37.61% |
| Selling Area — Square Feet | 2,859 | 3,283 | 3,961 | 5,177 |
| **Sales Per Square Foot — Selling Area** | $117.04 | $235.45 | $339.45 | $858.05 |
| Total Area — Square Feet | 15,337 | 20,031 | 20,974 | 18,019 |
| **Sales Per Square Foot — Total Area** | $21.82 | $38.59 | $64.11 | $246.53 |
| Sales Per Person Employed | $75,483 | $88,308 | $98,550 | $116,132 |
| Sales Per Customer | $34.92 | $41.10 | $77.63 | $125.67 |

# Sales Floor Size

| Income Statement Data | Sales Area Under 3,000 Sq. Ft. | 3,000 Sq. Ft. To 4,999 Sq. Ft. | Sales Area 5,000 Sq. Ft. or More |
|---|---|---|---|
| **Number of Outlets** | 83 | 75 | 66 |
| **Net Sales Volume** | $819,772 | $1,331,409 | $1,804,439 |
| Current Year's Sales vs. Previous Year* | -9.77% | -3.96% | -6.73% |
| Gross Sales | 101.91% | 101.82% | 101.88% |
| Less: Total Deductions | 1.91 | 1.82 | 1.88 |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 73.42 | 72.64 | 74.42 |
| **Margin** | 26.58 | 27.36 | 25.58 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 4.60 | 4.56 | 3.43 |
| Salaries — Other Employees | 8.34 | 8.37 | 8.94 |
| Federal and State Payroll Taxes | .97 | .88 | .93 |
| Group Insurance | .48 | .42 | .37 |
| Benefit Plans | .49 | .56 | .60 |
| **Total Payroll and Other Employee Expense** | 14.88 | 14.79 | 14.27 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .42 | .39 | .42 |
| Repairs to Building | .42 | .26 | .42 |
| Rent or Ownership in Real Estate** | 1.93 | 2.03 | 2.26 |
| **Total Occupancy Expense** | 2.77 | 2.68 | 3.10 |
| **Other Costs of Doing Business** | | | |
| Office Supplies and Postage | .36 | .47 | .31 |
| Advertising | .86 | .99 | .97 |
| Donations | .04 | .03 | .04 |
| Telephone and Telegraph | .28 | .31 | .26 |
| Bad Debts | .42 | 1.21 | .42 |
| Credit Card Expense | .01 | .02 | .07 |
| Delivery (Other than Wages) | .95 | .87 | .85 |
| Insurance (Other than Real Estate and Group) | .92 | .76 | .71 |
| Taxes (Other than Real Estate and Payroll) | .42 | .50 | .29 |
| Interest on Borrowed Money (Other than Mortgages) | 1.02 | 1.07 | .94 |
| Depreciation (Other than Real Estate) | .85 | .59 | .68 |
| Store and Shop Supplies | .19 | .18 | .08 |
| Legal and Accounting | .34 | .39 | .31 |
| Dues and Subscriptions | .10 | .08 | .06 |
| Travel, Buying, Entertainment | .20 | .23 | .15 |
| Unclassified | .95 | .45 | .90 |
| **Total Other Costs of Doing Business** | 7.91 | 8.15 | 7.04 |
| **Total Operating Expense** | 25.56 | 25.62 | 24.41 |
| **Net Operating Profit** | 1.02 | 1.74 | 1.17 |
| Other Income | 1.66 | 1.76 | 1.42 |
| **Net Profit (Before Income Taxes)** | 2.68 | 3.50 | 2.59 |

*As reported to us by Lumber/Building Material Financial Report contributors
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages

# Sales Floor Size

| Balance Sheet Data | Sales Area Under 3,000 Sq. Ft. | 3,000 Sq. Ft. To 4,999 Sq. Ft. | Sales Area 5,000 Sq. Ft. Or More |
|---|---|---|---|
| **Total Dollar Assets** | $372,040 | $595,781 | $750,941 |
| | | % of Total Assets | |
| **Assets** | | | |
| Cash and Equivalent | 9.64 | 5.56 | 5.03 |
| Notes and Contracts Receivable | 1.53 | 2.05 | 2.27 |
| Accounts Receivable | 20.64 | 28.00 | 20.82 |
| Merchandise Inventory (End of Year) | 40.17 | 41.58 | 42.03 |
| Other Current Assets | 3.84 | 2.51 | 2.82 |
| **Total Current Assets** | 75.82 | 79.70 | 72.97 |
| Stocks and Bonds | 2.38 | .91 | 2.24 |
| Real Estate (Not Used in Business) | 1.19 | 2.24 | 2.38 |
| Other Investments | 3.31 | 1.30 | 1.63 |
| **Total Investments** | 6.88 | 4.45 | 6.25 |
| Land (Owned and Used in Business) | 2.90 | 2.83 | 3.37 |
| Buildings (Owned and Used in Business less Depreciation) | 6.61 | 7.03 | 10.37 |
| Machinery & Office Equipment (Owned and Used in Business less Depreciation) | 6.87 | 5.53 | 4.36 |
| Other Fixed Assets | .92 | .46 | 2.68 |
| **Total Fixed Assets** | 17.30 | 15.85 | 20.78 |
| **Total Assets** | 100.00% | 100.00% | 100.00% |
| **Liabilities And Net Worth** | | | |
| Accounts Payable | 11.32 | 8.82 | 12.26 |
| Notes Payable | 10.51 | 10.62 | 11.58 |
| Accrued Expenses Payable | 2.16 | 4.65 | 2.92 |
| Federal Income Taxes Payable | .17 | .30 | .30 |
| Other Current Liabilities | 2.02 | 2.93 | 1.85 |
| **Total Current Liabilities** | 26.18 | 27.32 | 28.91 |
| Long Term Debt | 11.22 | 8.87 | 20.19 |
| Deferred Income Taxes | .14 | 1.48 | .03 |
| Other Long Term Liabilities | 2.29 | 1.77 | 1.75 |
| **Total Long Term Liabilities** | 13.65 | 12.12 | 21.97 |
| **Total Liabilities** | 39.83 | 39.44 | 50.88 |
| **Net Worth** | 60.17 | 60.56 | 49.12 |
| **Total Liabilities And Net Worth** | 100.00% | 100.00% | 100.00% |
| **Financial Performance** | | | |
| **Profit on Investment** | 9.82% | 12.92% | 12.68% |
| Active Owner's Return | 26.66% | 29.76% | 29.44% |
| Current Asset Ratio | 2.90x | 2.92x | 2.53x |
| Quick Asset Ratio | 1.36x | 1.39x | 1.07x |
| Total Debt to Tangible Net Worth | 66.21% | 65.15% | 103.55% |
| **Stock Turn Times** | 4.11x | 3.97x | 4.23x |
| Sales to Inventory Ratio | 5.60x | 5.47x | 5.68x |
| Average Inventory per Sq. Ft. Sales Area | $124.75 | $101.73 | $82.57 |
| Net Sales to Accounts Receivable | 10.67x | 7.98x | 11.54x |
| Net Sales to Total Assets | 2.20x | 2.23x | 2.40x |
| Net Sales to Net Worth | 3.66x | 3.69x | 4.89x |
| Net Sales to Net Working Capital | 4.44x | 4.27x | 5.45x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .36% | .24% | .47% |
| Credit Sales — % of Total Gross Sales | 67.74% | 63.89% | 54.52% |
| Consumer Sales — % of Total Gross Sales | 55.14% | 53.59% | 60.67% |
| Selling Area — Square Feet | 1,821 | 3,682 | 5,750 |
| **Sales Per Square Foot — Selling Area** | $558.54 | $406.91 | $344.22 |
| Total Area — Square Feet | 18,919 | 15,887 | 24,365 |
| **Sales Per Square Foot — Total Area** | $59.41 | $86.67 | $93.61 |
| Sales Per Person Employed | $94,285 | $99,998 | $100,899 |
| Sales Per Customer | $69.28 | $70.36 | $56.73 |

# Trade Area Size

| Income Statement Data | S.M.S.A. | Cities 10,000 To 50,000 | Rural Areas Under 10,000 |
|---|---|---|---|
| **Number of Outlets** | 32 | 57 | 149 |
| **Net Sales Volume** | $2,061,004 | $1,776,221 | $1,107,407 |
| Current Year's Sales vs. Previous Year* | -9.80% | -7.92% | -4.92% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 72.76 | 74.00 | 73.35 |
| **Margin** | 27.24 | 26.00 | 26.65 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 3.60 | 3.94 | 4.00 |
| Salaries — Other Employees | 9.66 | 8.78 | 8.96 |
| Federal and State Payroll Taxes | .96 | .74 | .95 |
| Group Insurance | .54 | .27 | .42 |
| Benefit Plans | .67 | .49 | .57 |
| **Total Payroll and Other Employee Expense** | 15.43 | 14.22 | 14.90 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .28 | .41 | .46 |
| Repairs to Building | .26 | .38 | .38 |
| Rent or Ownership in Real Estate** | 2.26 | 1.74 | 2.29 |
| **Total Occupancy Expense** | 2.80 | 2.53 | 3.13 |
| **Other Costs of Doing Business** | | | |
| Advertising | 1.09 | .56 | 1.00 |
| Depreciation (Other than Real Estate) | .56 | .68 | .76 |
| Insurance (Other than Real Estate or Group) | .67 | .90 | .83 |
| Taxes (Other than Real Estate or Payroll) | .37 | .54 | .35 |
| All Other Expenses | 5.34 | 4.95 | 4.47 |
| **Total Other Costs of Doing Business** | 8.03 | 7.63 | 7.41 |
| **Total Operating Expense** | 26.26 | 24.38 | 25.44 |
| **Net Operating Profit** | .98 | 1.62 | 1.21 |
| Other Income | 1.78 | 1.49 | 1.55 |
| **Net Profit (Before Income Taxes)** | 2.76 | 3.11 | 2.76 |
| **Financial Performance** | | | |
| **Profit on Investment** | 11.00% | 13.62% | 11.28% |
| Active Owner's Return | 24.94% | 30.89% | 27.60% |
| Current Asset Ratio | 2.74x | 2.68x | 2.73x |
| Quick Asset Ratio | 1.40x | 1.35x | 1.16x |
| Total Debt to Tangible Net Worth | 60.21% | 73.67% | 87.05% |
| **Stock Turn Times** | 5.15x | 4.63x | 3.84x |
| Sales to Inventory Ratio | 7.09x | 6.26x | 5.24x |
| Average Inventory per Sq. Ft. Sales Area | $79.42 | $117.28 | $91.54 |
| Net Sales to Accounts Receivable | 10.81x | 8.60x | 10.37x |
| Net Sales to Total Assets | 2.40x | 2.52x | 2.18x |
| Net Sales to Net Worth | 3.87x | 4.38x | 4.09x |
| Net Sales to Net Working Capital | 5.10x | 4.98x | 4.70x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .09% | .13% | .56% |
| Credit Sales — % of Total Gross Sales | 56.73% | 62.43% | 58.04% |
| Consumer Sales — % of Total Gross Sales | 40.65% | 52.04% | 61.17% |
| Selling Area — Square Feet | 3,552 | 3,832 | 3,631 |
| **Sales Per Square Foot — Selling Area** | $580.24 | $463.52 | $304.99 |
| Total Area — Square Feet | 24,309 | 13,354 | 20,998 |
| **Sales Per Square Foot — Total Area** | $84.78 | $133.01 | $52.74 |
| Sales Per Person Employed | $99,777 | $106,040 | $99,688 |
| Sales Per Customer | $53.52 | $127.10 | $53.34 |

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Outlet Location

| Income Statement Data | Downtown | Suburban | Rural |
|---|---|---|---|
| **Number of Outlets** | 52 | 118 | 54 |
| **Net Sales Volume** | $1,071,507 | $1,597,802 | $1,212,496 |
| Current Year's Sales vs. Previous Year* | -11.00% | -5.61% | -6.49% |
| Net Sales | 100.00% | 100.00% | 100.00% |
| Cost of Goods Sold | 72.78 | 73.57 | 73.41 |
| **Margin** | 27.22 | 26.43 | 26.59 |
| **Payroll and Other Employee Expense** | | | |
| Salaries — Owners, Officers, Managers | 4.22 | 3.99 | 3.42 |
| Salaries — Other Employees | 9.68 | 8.68 | 8.94 |
| Federal and State Payroll Taxes | .98 | .81 | 1.00 |
| Group Insurance | .54 | .31 | .53 |
| Benefit Plans | .22 | .72 | .45 |
| **Total Payroll and Other Employee Expense** | 15.64 | 14.51 | 14.34 |
| **Occupancy Expense** | | | |
| Heat, Light, Power, Water | .41 | .39 | .45 |
| Repairs to Building | .33 | .34 | .41 |
| Rent or Ownership in Real Estate** | 2.38 | 1.99 | 2.25 |
| **Total Occupancy Expense** | 3.12 | 2.72 | 3.11 |
| **Other Costs of Doing Business** | | | |
| Advertising | .89 | .95 | .77 |
| Depreciation (Other than Real Estate) | .82 | .64 | .85 |
| Insurance (Other than Real Estate or Group) | .78 | .84 | .90 |
| Taxes (Other than Real Estate or Payroll) | .31 | .47 | .40 |
| All Other Expenses | 4.90 | 4.70 | 4.83 |
| **Total Other Costs of Doing Business** | 7.70 | 7.60 | 7.75 |
| **Total Operating Expense** | 24.46 | 24.83 | 25.20 |
| **Net Operating Profit** | .76 | 1.60 | 1.39 |
| Other Income | 1.55 | 1.43 | 1.83 |
| **Net Profit (Before Income Taxes)** | 2.31 | 3.03 | 3.22 |
| **Financial Performance** | | | |
| **Profit on Investment** | 7.53% | 13.82% | 13.51% |
| Active Owner's Return | 21.28% | 32.03% | 27.84% |
| Current Asset Ratio | 2.58x | 2.78x | 2.44x |
| Quick Asset Ratio | 1.17x | 1.35x | 1.01x |
| Total Debt to Tangible Net Worth | 69.18% | 81.82% | 85.28% |
| **Stock Turn Times** | 3.51x | 4.66x | 4.04x |
| Sales to Inventory Ratio | 4.82x | 6.33x | 5.51x |
| Average Inventory per Sq. Ft. Sales Area | $75.05 | $98.29 | $117.67 |
| Net Sales to Accounts Receivable | 8.58x | 10.41x | 10.13x |
| Net Sales to Total Assets | 1.93x | 2.51x | 2.26x |
| Net Sales to Net Worth | 3.26x | 4.56x | 4.19x |
| Net Sales to Net Working Capital | 4.32x | 5.07x | 5.34x |
| **Other Operating Data** | | | |
| Incoming Freight — % of Purchases | .30% | .22% | .75% |
| Credit Sales — % of Total Gross Sales | 60.65% | 58.23% | 66.53% |
| Consumer Sales — % of Total Gross Sales | 58.69% | 52.99% | 60.31% |
| Selling Area — Square Feet | 3,912 | 3,754 | 3,360 |
| **Sales Per Square Foot — Selling Area** | $273.90 | $425.63 | $360.86 |
| Total Area — Square Feet | 27,038 | 16,428 | 21,450 |
| **Sales Per Square Foot — Total Area** | $39.63 | $97.26 | $56.53 |
| Sales Per Person Employed | $98,425 | $102,586 | $103,599 |
| Sales Per Customer | $29.77 | $72.13 | $105.49 |

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Number of Outlets

| Income Statement Data | Single Outlet Business | Multiple Outlets Business |
|---|---|---|
| **Number of Outlets** | 149 | 93 |
| **Net Sales Volume** | $1,622,706 | $1,039,336 |
| Current Year's Sales vs. Previous Year* | -6.10% | -7.14% |
| Net Sales | 100.00% | 100.00% |
| Cost of Goods Sold | 73.72 | 72.26 |
| **Margin** | 26.28 | 27.74 |
| **Payroll and Other Employee Expense** | | |
| Salaries — Owners, Officers, Managers | 3.56 | 5.08 |
| Salaries — Other Employees | 9.34 | 7.84 |
| Federal and State Payroll Taxes | .85 | .98 |
| Group Insurance | .41 | .36 |
| Benefit Plans | .56 | .59 |
| **Total Payroll and Other Employee Expense** | 14.72 | 14.85 |
| **Occupancy Expense** | | |
| Heat, Light, Power, Water | .40 | .43 |
| Repairs to Building | .39 | .26 |
| Rent or Ownership in Real Estate** | 2.07 | 2.21 |
| **Total Occupancy Expense** | 2.86 | 2.90 |
| **Other Costs of Doing Business** | | |
| Advertising | .86 | .99 |
| Depreciation (Other than Real Estate) | .75 | .59 |
| Insurance (Other than Real Estate or Group) | .92 | .62 |
| Taxes (Other than Real Estate or Payroll) | .50 | .23 |
| All Other Expenses | 4.54 | 5.33 |
| **Total Other Costs of Doing Business** | 7.57 | 7.76 |
| **Total Operating Expense** | 25.15 | 25.51 |
| **Net Operating Profit** | 1.13 | 2.23 |
| Other Income | 1.46 | 1.96 |
| **Net Profit (Before Income Taxes)** | 2.59 | 4.19 |
| **Financial Performance** | | |
| **Profit on Investment** | 11.31% | 13.29% |
| Active Owner's Return | 26.83% | 30.76% |
| Current Asset Ratio | 2.64x | 3.53x |
| Quick Asset Ratio | 1.25x | 1.59x |
| Total Debt to Tangible Net Worth | 82.54% | 74.84% |
| **Stock Turn Times** | 4.42x | 3.86x |
| Sales to Inventory Ratio | 6.00x | 5.33x |
| Average Inventory per Sq. Ft. Sales Area | $70.31 | $532.23 |
| Net Sales to Accounts Receivable | 10.07x | 9.36x |
| Net Sales to Total Assets | 2.39x | 2.14x |
| Net Sales to Net Worth | 4.36x | 3.77x |
| Net Sales to Net Working Capital | 5.02x | 4.75x |
| **Other Operating Data** | | |
| Incoming Freight — % of Purchases | .39% | .17% |
| Credit Sales — % of Total Gross Sales | 58.01% | 62.36% |
| Consumer Sales — % of Total Gross Sales | 53.35% | 60.25% |
| Selling Area — Square Feet | 3,663 | 3,691 |
| **Sales Per Square Foot — Selling Area** | $443.00 | $281.59 |
| Total Area — Square Feet | 16,016 | 23,669 |
| **Sales Per Square Foot — Total Area** | $101.32 | $43.91 |
| Sales Per Person Employed | $106,652 | $91,172 |
| Sales Per Customer | $60.43 | $78.57 |

*As reported to us by Lumber/Building Material Financial Report contributors.
**Ownership in Real Estate includes Taxes, Insurance and Depreciation on Land and Buildings and Interest on Mortgages.

# Strategic Profit Model

The Strategic Profit Model can be an excellent management tool for lumber/building material retailers. The Model combines the principal elements of a firm's operating statement and balance sheet into a single profit planning equation, evaluating operating performance on the most important criteria — Return on Net Worth.

The Strategic Profit Model clearly identifies, through the use of financial ratio analysis, the three major operational areas that determine the rate of return on net worth: profit margin, asset turnover and leverage.

Several elements that can be controlled by management to improve the level of operational performance are:

**Profit Margin**

**Sales** — Increase sales through better displays and advertising, more promotions, addition of new lines, etc.

**Cost of Goods Sold** — Improve Gross Margin through variable pricing, efficient buying, etc.

**Expenses** — Trimming expenses is difficult in view of today's high inflation, labor costs, occupancy expense, etc.; however, carefully review each item of expense for areas of cost savings.

**Other Income** — Take advantage of cash discounts, earnings from revolving or installment credit programs and other investments such as stock ownership.

**Asset Turnover**

**Inventory** — Decrease inventory level through a careful review of the levels of all items, trim slow moving items, eliminate obsolete items.

**Accounts Receivable** — Review status of accounts; if excessively high without the use of a finance charge, customers are operating on the firm's money.

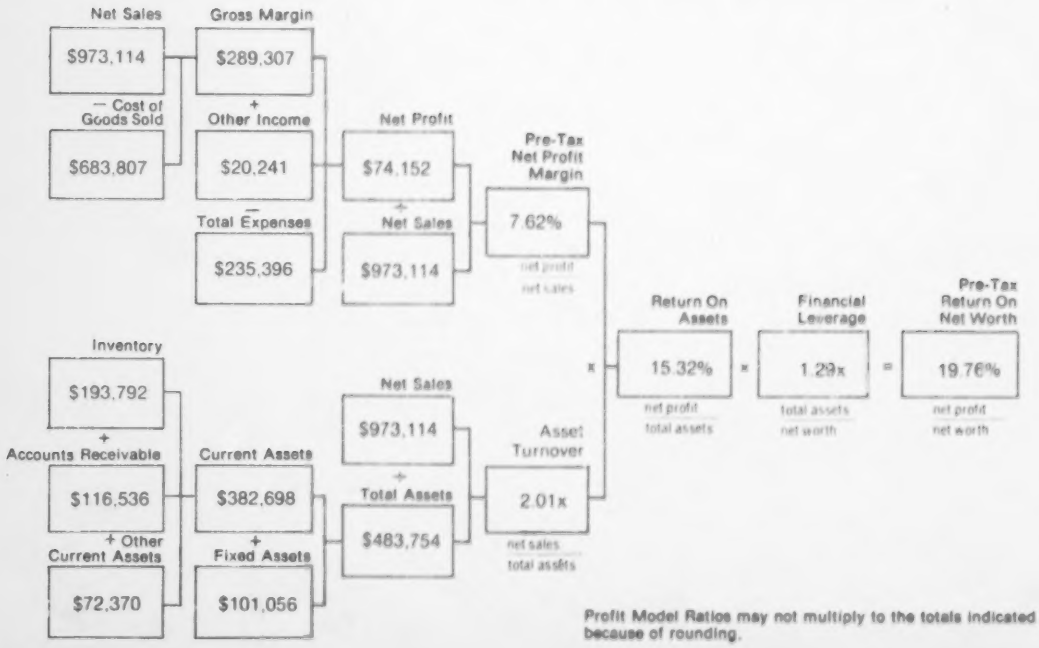
**Fixed Assets** — Divide Net Sales by Fixed Assets; a substantially lower than industry average ratio indicates excessive investment resulting in idle capacity.

**Leverage**

The amount of borrowed funds has a number of major implications 1) creditors look to owner supplied funds to provide a margin of safety; 2) by raising funds through debt, owners gain the benefit of maintaining control of the firm with a limited investment and 3) if the firm earns more on borrowed funds than it pays in interest, return to owners is magnified.

Presented below is the Strategic Profit Model for the High Profit Outlets category. Retailers interested in improving their performance should carefully review this model, as it represents the level of excellence achieved by industry leaders.

# High-Profit Outlets




**Profit Model Ratios may not multiply to the totals indicated because of rounding.**

# Departmental Sales

The Departmental Sales section of the Financial Report offers a variety of information for thirteen major departments carried in the hardline industry's retail outlets.

**Hardware** — Builders Hardware, Fasteners and Nails, Screen Cloth, Keys, Mail Boxes, Drapery Hardware.

**Hand and Power Tools** — Hand and Power Tools with Replacement Parts and Accessories.

**Plumbing** — Plumbing Supplies, Bathroom Hardware, Plumbing Fixtures and Appliances, Heaters, Furnaces, Heating Supplies, Fireplace Equipment.

**Electrical** — Electrical Fixtures and Supplies, Christmas Decorations.

**Paint and Sundries** — Paint, Paint Sundries, Wall Coverings and Paper, Window Glass, Craft and Decorating Supplies.

**Lumber and Building Materials** — Wood Products, Building Materials, Floor Covering.

**Lawn and Garden** — Lawn/Garden Tools and Equipment, Fertilizers, Insecticides, Fence/Border Products, Hoses, Tractors, Snow Removing Equipment.

**Housewares** — Cookware, Small Appliances, Giftware, Kitchenware, Cutlery, Galvanized/Plastic/Rubber Goods, Household Furnishings and Cleaning Supplies.

**Automotive** — Parts and Testing Equipment, Automotive Accessories and Car Care Products.

**Major Appliances** — Clothes Washers and Dryers, Air Conditioners, Freezers, Ranges, Office Machines, Vacuum Cleaners, Radios, Stereos and TV's.

**Other Departments** — Any other department not mentioned above — Soft-goods, Groceries, Books, etc.

Shown for each department are the percent of firms handling, the share of net sales, sales floor space, inventory, cost of goods sold, and dollar productivity per square foot of sales area. These data are for **Handling Firms Only.** All stores participating in the survey that did not carry a department were not included in the computation of the average data for that department.

As an example, suppose the Lawn and Garden Department in the Financial Report shows that 90.0% of the reporting stores have a Lawn and Garden Department. The data shown for the Lawn and Garden Department are only for the 90.0% of stores that carry Lawn and Garden Equipment. Thus, **Handling Firms Only** data enable an operator to compare a specific department's data with the averages of other operators who also carry that department.

The Financial Report also presents an **Average Store Profile.** This profile shows data for a store handling all departments and allows a comparison of the relationships among departments within a single operation.

But what of an outlet that does not carry all the major departments. How can the relationships of only carried departments be compared to a total store industry average? The necessary data are contained in the Report — only a simple computation is required.

First, for each department carried, add the industry average percents for Net Sales. The sum of these percentages is then divided into each individual departmental percent. The resulting percentages are the **Average Store Profile** for an outlet carrying only these departments.

As an example, a hardlines retailer carries only four departments — Hardware, Hand and Power Tools, Paint and Sundries and Lumber/Building Materials.

Assume The Financial Report indicates percent of Net Sales for handling firms for each department to be:

| | |
|---|---|
| Hardware | 15.0% |
| Hand and Power Tools | 10.0% |
| Paint and Sundries | 20.0% |
| Lumber/Building Materials | 65.0% |

The total of these percents equals 110.0. Now divide the total (110.0%) into each of the individual department's percent:

| | |
|---|---|
| Hardware | $\frac{15.0}{110.0} = 13.6\%$ |
| Hand and Power Tools | $\frac{10.0}{110.0} = 9.1\%$ |
| Paint and Sundries | $\frac{20.0}{110.0} = 18.2\%$ |
| Lumber/Building Materials | $\frac{65.0}{110.0} = 59.1\%$ |

The resulting percentages' total should equal 100.0% and are the **Average Store Profile** for an outlet handling only Hardware, Hand and Power Tools, Paint and Sundries, and Lumber/Building Materials. This same procedure can be followed to determine the Average Store Profile for the percent of sales floor space, inventory and cost of goods sold.

# Departmental Contribution

## Handling Firms Only

| Department | % Handling | % of Net Sales | % of Inside Sales Area | % of Inventory | % of Cost of Gds. Sld | $ Sales Per Sq. Ft. |
|---|---|---|---|---|---|---|
| Hardware | 100.0 | 8.8 | 23.0 | 10.7 | 6.6 | 171.89 |
| Hand & Power Tools | 86.1 | 3.9 | 10.5 | 3.9 | 4.4 | 166.80 |
| Plumbing, Heating and Cooling | 84.5 | 5.6 | 12.5 | 7.2 | 8.0 | 201.33 |
| Electrical Supplies | 85.3 | 3.9 | 7.9 | 4.3 | 5.2 | 221.72 |
| Paint & Paint Sundries | 95.4 | 8.3 | 15.0 | 9.7 | 9.0 | 249.09 |
| Lumber | 100.0 | 30.5 | NA | 27.3 | 34.3 | NA |
| Building Materials | 100.0 | 35.8 | 27.9 | 33.4 | 28.1 | 578.14 |
| Lawn & Garden | 38.0 | 2.7 | 11.1 | 2.3 | 3.2 | 109.45 |
| Housewares | 32.6 | 2.3 | 6.6 | 2.3 | 3.5 | 132.92 |
| Automotive Supplies | 1.6 | 3.5 | 5.1 | 3.0 | 2.4 | 161.75 |
| Major Appliances & Home Entertainment | 15.5 | 2.5 | 4.7 | 2.1 | 2.1 | 203.27 |
| Sporting Goods & Outdoor Equipment | 3.9 | 5.0 | 1.8 | 2.9 | 5.0 | 159.48 |
| Other Departments | 59.7 | 6.2 | 7.8 | 5.0 | 6.8 | 358.30 |

## Average Store Profile

| Department | % of Net Sales | % of Inside Sales Area | % of Inventory | % of Cost of Goods Sold |
|---|---|---|---|---|
| Hardware | 8.8 | 23.0 | 10.8 | 6.6 |
| Hand & Power Tools | 3.3 | 9.1 | 3.4 | 3.5 |
| Plumbing, Heating & Cooling | 4.7 | 10.2 | 6.1 | 6.2 |
| Electrical Supplies | 3.3 | 6.7 | 3.6 | 4.2 |
| Paint & Paint Sundries | 7.8 | 14.6 | 9.2 | 8.3 |
| Lumber | 30.5 | NA | 27.3 | 34.3 |
| Building Materials | 35.5 | 25.5 | 33.3 | 28.1 |
| Lawn & Garden | 1.2 | 1.9 | .8 | .7 |
| Housewares | .8 | 2.2 | 1.1 | 1.8 |
| Automotive Supplies | .1 | .1 | .1 | .1 |
| Major Appliances | .1 | 1.4 | .5 | 1.0 |
| Sporting Goods & Outdoor Living | .2 | .1 | .1 | .4 |
| Other Departments | 3.7 | 5.2 | 3.7 | 4.8 |
| | 100.0 | 100.0 | 100.0 | 100.0 |

# Compensation Study

Compensation data has been gathered for eight types of retail hardgood industry employees:

**Department Managers**
Employees who have specific responsibility for a given department or departments like the housewares, paint, or electrical supply departments.

**Sales Personnel**
Employees who spend the majority of their time on the sales floor, ordering and stocking as well as selling.

**Office Personnel**
Those who spend the majority of their time in the office — accountants, bookkeepers, billing clerks, data processing personnel, etc.

**Check-Out/Counter Help**
Employees who spend most of their time at the cash register or information counter.

**Delivery Personnel**
Employees who spend the majority of their time delivering goods and orders — also includes receiving help.

**Warehouse Personnel**
Employees who spend the majority of their time in the store or cental warehouse. Includes fork-lift operators, truckloaders, order processors, foremen and other warehouse personnel.

**Yard Personnel**
Employees who spend the majority of their time in the lumber yard. Includes material handlers, fork-lift operators, yard foremen and estimators.

**Other Personnel**
Any other employee not covered in the above categories, including shop-labor, repairmen, watchmen and janitorial personnel.

Even though wage rates differ substantially by locality, the results contained in this section provide many guidelines for comparison. The Compensation Study presents for each employee classification data related to:

— Average number per $100,000 sales
— % Full-Time
— Annual Salary
— Wage per Hour
— Annual Man Hours Worked

**Average Number Per Sales**
—Computed by dividing the number of employees in each category by Net Sales stated in thousands of dollars.
—Expressed as a number.
—Shows the number of employees for each category per $100,000 in sales.

—For example, sales equal $2 million. First divide $2 million by $100,000 = 20.0. Next, divide each category by 20. For example, 8 full-time sales = 8 ÷ 20 = 0.40 per $100,000 in sales.

**% Full Time**
—Computed by dividing the number of Full-Time Employees in each category by all employees in that category.
—Shows the percentage of employees in each category who are full-time (30 or more hours per week).

**Annual Salary**
—All wages and bonuses paid.

**Wage Per Hour**
—Computed by dividing the annual salary, including bonuses, by the total man hours worked.

**Annual Man Hours Worked**
—Regular and overtime hours less vacation time. Useful when compared to past performance.

Additionally the Compensation Study presents data for three important measures of productivity for all employees and sales personnel:
—Sales per Year
—Sales per Man Hour
—Sales per $ Payroll

**Sales Per Year**
—Computed by dividing the total annual Net Sales by the total number of employees or the total number of sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.

**Sales Per Man Hour**
—Computed by dividing the total annual Net Sales by the total man hours worked for all employees or by the total man hours worked for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—Useful when compared with past performance results. The ratio gives an indication of the sales produced per hours worked.

**Sales Per $ Payroll**
—Computed by dividing the total annual Net Sales by the total annual payroll for all employees or by the total annual payroll for sales personnel only.
—Expressed in retail sales dollars.
—Measures employee productivity.
—The ratio measures sales generated per dollar of payroll expense. Again useful when compared to past performance.

Additional data gathered on Owners, Officers and Store Managers is available on a confidential basis from NRHA or your regional Hardware Association. To obtain your copy, request The Lumber/Building Material Financial Report Owner, Officer and Manager Compensation Report on your firm's letterhead.

# All Outlets

| Type of Employee | Average Number Per $100,000 Sales | % Full Time | Annual Salary Includes Bonus $ | Wage Per Hour $ | Annual Man Hours Worked |
|---|---|---|---|---|---|
| Department Managers | .10 | | 18,669 | 8.42 | 2,217 |
| Sales — Full-Time | .19 | 78.0 | 13,284 | 6.24 | 2,128 |
| Sales — Part-Time | .11 | | | 4.67 | 956 |
| Office — Full-Time | .12 | 79.8 | 10,728 | 5.37 | 1,997 |
| Office — Part-Time | .09 | | | 4.63 | 799 |
| Check-Out — Full-Time | .07 | 80.8 | 9,282 | 4.75 | 1,953 |
| Check-Out — Part-Time | .07 | | | 3.71 | 742 |
| Delivery — Full-Time | .13 | 91.1 | 11,690 | 5.45 | 2,143 |
| Delivery — Part-Time | .15 | | | 4.07 | 890 |
| Warehouse — Full-Time | .09 | 77.5 | 10,420 | 5.01 | 2,078 |
| Warehouse — Part-Time | .10 | | | 3.14 | 742 |
| Yard — Full-Time | .15 | 78.3 | 11,009 | 5.26 | 2,095 |
| Yard — Part-Time | .09 | | | 3.72 | 721 |
| Other — Full-Time | .09 | 81.7 | 12,174 | 6.22 | 1,956 |
| Other — Part-Time | .09 | | | 4.10 | 501 |
| All Full-Time Employees* | .84 | 80.9 | 13,742 | 6.58 | 2,090 |
| All Part-Time Employees | .70 | | | 4.21 | 798 |

# Productivity

| Type of Outlet | Sales Per Year | | Sales Per Man Hour | | Sales Per $ Payroll | |
|---|---|---|---|---|---|---|
| | All Employees** $ | Sales Personnel Only $ | All Employees** $ | Sales Personnel Only $ | All Employees** $ | Sales Personnel Only $ |
| **All Outlets** | 98,123 | 417,013 | 53.34 | 225.19 | 6.68 | 37.22 |
| **Sales Volume Size** | | | | | | |
| Under $500,000 | 70,186 | 205,676 | 40.21 | 116.79 | 6.44 | 24.76 |
| $500,000 to $999,999 | 78,741 | 355,514 | 44.08 | 192.24 | 3.63 | 37.27 |
| $1,000,000 to $1,999,999 | 97,026 | 399,867 | 51.22 | 214.38 | 7.50 | 33.38 |
| $2,000,000 or more | 120,662 | 587,952 | 65.71 | 312.95 | 8.93 | 46.51 |
| **Sales Area Size** | | | | | | |
| Under 3,000 Sq. Ft. | 87,546 | 340,745 | 50.51 | 190.15 | 7.71 | 34.84 |
| 3,000 to 4,999 Sq. Ft. | 98,375 | 449,530 | 52.24 | 240.45 | 7.80 | 37.92 |
| 5,000 Sq. Ft. or More | 102,535 | 447,152 | 54.27 | 233.19 | 5.39 | 37.96 |
| **Trade Area Size** | | | | | | |
| S.M.S.A. | 105,204 | 383,727 | 55.26 | 208.01 | 7.56 | 31.71 |
| Cities — 10,000 to 50,000 | 96,476 | 490,670 | 51.87 | 260.68 | 8.22 | 46.35 |
| Rural Areas Under 10,000 | 97,252 | 382,933 | 53.97 | 207.68 | 5.87 | 33.93 |

*Excluding Owners, Officers and Store Managers
**Including Owners, Officers and Store Managers

# New Outlet Data

To determine the feasibility of a new consumer-oriented lumber/building material outlet four distinct planning phases are required:

—Preliminary Financial Analysis
—Market Analysis
—Formal Financial Analysis
—Development of Outlet Image

**Phase I**

As the ultimate criterion of feasibility for a proposed lumber/building material outlet will be profitability, the planning process should begin with a preliminary financial analysis.

The investment required for a new retail outlet can range between $25 to $60 per square foot, depending on locality, size, occupancy position and personal preferences.

Based on the desired size of the operation, utilize the industry operating averages presented in NRHA's Lumber/Building Materials Financial Report to estimate sales volumes, gross margins, salaries and other costs of doing business to project Net Profits and Return on Investment for the proposed operation. An important fact to remember is there is a direct correlation between the square feet of sales area, average dollar inventory and the attainable sales volumes.

If the preliminary financial analysis meets predetermined individual requirements in attainable salary levels, Net Profit and Return on Investment, the second phase of planning may be initiated.

**Phase II**

**Site Location**

The market area to be served by the proposed home center operation will be primarily determined by the selected site location. Nine major aspects of varying importance determine the worth of a given retail home center location. These aspects are listed below.

**Shopping Pull** — Businesses in the area which would help draw consumers to the area.

**Parking Facilities** — Adequate parking requires two to two and a half square feet of parking area for every square foot of selling area.

**Walk-In Traffic**
**Traffic Count and Patterns**
**Accessibility**
**Visibility**
**Congestion**

**Shopping Ease** — The ability for the consumer to get out of the outlet from the point of check-out to his or her auto with a large item.

**Ingress and Egress** — The ease with which customers can drive to or from the street to the parking area.

To select the best location, each prospective site should be assessed on the nine aspects to determine overall worth as a retail location. A subjective analysis of all aspects for each potential site available combined with an analysis of the cost for property and improvements will provide the basis for selecting the prime site location(s) for further analysis.

**Primary Trade Area**

After the selections of site(s), for the purpose of analysis it is necessary to bring the market area to be served to manageable proportions. Therefore a Primary Trade Area for the selected site location must be defined. The Primary Trade Area represents the geographical boundries from which the majority of do-it-yourself consumer business for the proposed operation will be derived. These geographical boundries of the Primary Trade Area are affected by many variables. The most influencing variables are the proposed operation's size and merchandise mix, number of consuming residents required to support the operation, driving time to site location, the proximity of retail activity concentrations and natural or man-made barriers.

**Size** — The ability to draw consumers from a distance to a retail outlet is directly related to the size of the display area and the number, depth and breadth of departmental lines carried.

**Number of Consumers** — A 2,500 square foot outlet requires 7,500 to 10,000 consuming residents; a 5,000 square foot outlet requires 15,000 to 20,000 consuming residents.

**Driving Time** — Typically a 2,500 square foot outlet can draw consumers within a 5 to 10 minutes driving time, a 5,000 square foot store drawing within 10 to 15 minutes driving time.

**Other Retail Stores** — Proximity to highly active retail areas helps to share the burden of drawing consumers to the area for shopping purposes.

**Barriers**—Barriers affecting accessibility to a selected site location can dramatically alter the boundries of the Primary Trade Area.

The feasibility of a new outlet within a given Primary Trade Area is dependent on two major factors, the demographic characteristics of the consumers and the number and strength of the competitors.

**Consumer Analysis**

From past NRHA research it has been learned that demographic variables relating to population growth rate, income levels and incidence of owner-occupied housing are the most critical variables in predicting a consumer's propensity to spend on hardlines.

**Population Growth Rate** — A viable environment for a new lumber/building material outlet requires that the Primary Trade Area experience a minimum of .5 to 1.0 percent annual increase in population with the preferred rate being 2.0 percent or more.

**Income Levels** — Consumers with middle to upper-middle income have the greatest propensity to purchase hardlines, lumber and building materials.

**Type of Housing** — Consumers who own their own homes will spend as much as 4 to 5 times more per year for hardlines, lumber and building materials than renters, mobile home or condominium owners.

**Competitive Analysis**

Although within a given Primary Trade Area consumer demographic variables may indicate a healthy environment for a new outlet, feasibility for the proposed operation cannot be determined without an analysis of the competition.

Depending on merchandise mix, primary hardline and lumber/building material sales represent approximately 70 to 80 percent of the total sales volume for an average consumer-oriented lumber/building material outlet. Primary hardlines include: hardware, tools, electrical and plumbing. As the primary hardlines and lumber/building materials represent the substantial majority of sales for an outlet, an analysis to determine the feasibility of a new outlet should focus on these lines.

Retail outlets which carry competitive lines and would be likely to be shopped by Primary Trade Area residents should be visited and assessed. These retail outlets include all hardware stores, home centers, lumber/building material outlets, mass merchandisers, discount stores, variety and drug stores and specialty stores.

The retail competitors should be delineated by location and preferably spotted on a map. All competitive departmental lines should be assessed on a rating scale. A scale of 1 to 5 has been utilized with a rating of 1 indicating that the retailer offers a minimal selection of items, and a 5 indicating an excellent departmental offering in both depth and breadth of line.

In this illustration the lawn/garden and paint departments are offered in depth by several strong competitors, indicating a possible market saturation in these lines. Plumbing has a fewer number of competitors carrying, and no competitor offers a strong plumbing departmental presentation. The hardware, tools and electrical departments have many competitors, but only a few strong competitors.

To be a consumer-oriented lumber/building material outlet the merchandise mix must include all primary hardlines plus lumber and building materials. However, due to the competitive structure of the Primary Trade Area and surrounding Market Area, strategic market thrust can be obtained by offering above average selections in departmental lines that are in poor supply.

In the illustration, based on the competitive situation and desired store image, the proposed operation should plan the following merchandise mix: Hardware — average to above average; Hand Tools — average; Electrical — average to above average; Plumbing — above average; Lawn/Garden — below average-heavy seasonal promotion only; Paint — average to below average; Paint Sundries — average to below average; Lumber, Building Materials —average to above average.

**Illustration**

| | Hdwe. | Tools | Elec. | Plbg. | Lawn/ Gdn. | Pnt. | Sund- ries | Lmbr. | Bldg. Mat'l. |
|---|---|---|---|---|---|---|---|---|---|
| **Site Area** | | | | | | | | | |
| Variety Store | 1 | 1 | 2 | 1 | 3 | 2 | 1 | | |
| Drug Store | | | 1 | | 1 | | | | |
| **Downtown** | | | | | | | | | |
| Home Center | 5 | 4 | 5 | 4 | 4 | 5 | 5 | 5 | 3 |
| Paint Store | | | | | | 5 | 2 | | |
| Auto Supplies | | 1 | 1 | | | | | | |
| **East** | | | | | | | | | |
| Hardware Store | 4 | 3 | 4 | 2 | 5 | 3 | 3 | | |
| K-Mart | 4 | 5 | 3 | 3 | 5 | 5 | 4 | 3 | 2 |
| Lumber Outlet | 2 | 1 | 2 | 2 | 1 | 3 | 3 | | |
| **South** | | | | | | | | | |
| Sears | 4 | 5 | 4 | 4 | 5 | 5 | 4 | | 2 |
| Penney | 3 | 4 | 3 | 3 | 4 | 4 | 3 | | |
| Sherwin Williams | | | | | 5 | 5 | | | |
| Gift Shop | | | | | | | | | |
| Super Drugs | 2 | 1 | 2 | 2 | 3 | 2 | 1 | | |
| **Total** | 25 | 25 | 27 | 21 | 36 | 39 | 26 | 8 | 7 |
| # Of Competitors | 8 | 9 | 10 | 8 | 10 | 10 | 9 | 2 | 3 |

**Phase III**

If the analysis indicates a positive environment in both the consumer and competitive characteristics of the Primary Trade Area, a formal financial analysis should then be developed. Unlike the preliminary analysis, this analysis should include the actual cost of land, building fixtures and equipment to determine the total investment required.

The analysis should also include a proforma income statement to estimate the profits (losses) for the first three years of operation. Wherever possible actual operating expenses should be utilized — rent, taxes, utilities etc. For those expense items that cannot be determined, NRHA's Lumber/Building Materials Financial Report will provide guidelines for estimation. Dependent on the projected profit (losses), total capital requirement including working capital will be determined.

One very important factor to remember is that a typical new outlet will take three years to reach maximum productivity and efficiency or what is termed "outlet maturity". Therefore do not be overly optimistic on setting performance goals.

**Phase IV**

Through a combined analysis of all planning phases, the consumer outlet image is developed.

Owner's Economic Constraints
Customer Identification
Posture of Major Competitors
**will determine**
Size of Facility
Merchandise Mix
Service Level
Price Statement
**will determine**
Outlet Layout, Design and Decor
**which relays**
Consumer Outlet Image

# Affiliated Associations

**California Retail Hardware Association**
William R. Maze
122 Ninth St.
San Francisco, CA 94103
(415) 552-0536

**Canadian Retail Hardware Associaiton**
Thomas M. Ross
6800 Campobello Road
Mississauga, Ontario, Canada L5N 2L8
(416) 821-3470

**The Hardware Association of the Carolinas**
Eleanor Brigance
412 Louise Avenue
Charlotte, NC 28204
(704) 332-3141

**Illinois Retail Hardware Association**
John C. Friel
215 W. Prospect Ave.
Mt. Prospect, IL 60056
(312) 392-8700

**Indiana-Kentucky Hardware Association, Inc.**
Richard L. Russell
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Indianapolis, IN 46205
(317) 547-5471

**Intermountain Association**
R.M. Henderlider
2230 Main St.
Boise, ID 83706
(208) 342-7779

**Iowa Retail Hardware Association**
John C. Phillips
520 35th St.
Des Moines, IA 50312
(515) 274-0401

**Michigan Retail Hardware Association**
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4414 S. Pennsylvania Ave.
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Lansing, MI 48909
(517) 394-1710

**Mid-South Hardware Association**
W.F. Davis
2500 Hillsboro Rd.
Suite 103
Nashville, TN 37212
(615) 383-9037

**Minnesota-Dakotas Retail Hardware Association**
Ray C. Anderson
3033 Excelsior Blvd.
Minneapolis, MN 55416
(612) 929-4691

**Montana Hardware and Implement Association**
Avis Ann Tobin
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Helena, MT 59601
(406) 442-1590

**Mountain States Hardware and Implement Association**
Max L. Sauder
1380 Carr St.
Lakewood, CO 80215
(303) 233-2101

**New England Hardware Dealers Association**
Chester C. Putney
Lakeside Office Park, Door #5
591 North Ave.
Wakefield, MA 01880
(617) 246-1510

**New York State Retail Hardware Association**
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**Ohio Hardware Association**
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(614) 486-5278

**Pacific Northwest Hardware and Implement Association**
Mac Smith
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Room 606
Portland, OR 97204
(503) 226-1641

**Pacific Southwest Hardware Association**
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**Pennsylvania and Atlantic Seaboard Hardware Association**
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**Southern Association**
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**Southwest Hardware and Implement Association**
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**Hardware Association of the Virginias**
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**Western Retail Implement and Hardware Association**
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**Wisconsin Retail Hardware Association**
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